

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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GOVERNMENT POLICY

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## Australia

### LIVESTOCK AND PRODUCTS ANNUAL

### SEPTEMBER 2009 ANNUAL

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**Report Highlights:**

Post forecasts beef slaughter and production to ease slightly in CY 2009 while remaining at historically high levels. Improved seasonal conditions, following years of drought, will see a return to herd rebuilding with producers retaining stock from slaughter for breeding purposes. Exports are forecast to ease in CY 2010 as a result of slightly lower production and reduced export market demand.



## **Summary:**

Post forecasts beef slaughter and production to ease slightly in CY 2009 while remaining at historically high levels. Assuming average weather conditions, inventories are forecast to continue growing steadily and this should maintain a slight downward pressure on slaughter and production.

At the time of writing this report, the Australian continent is experiencing improved seasonal conditions following prolonged and severe drought which began in 2002. Despite improved conditions, the effects of such a severe drought continue to persist. Poor irrigation water availability together with historically low production levels of irrigated crops continue to somewhat constrain livestock production despite greatly improved pasture conditions.

Going forward, post's forecasts are based upon the assumption that improved seasonal conditions, following years of drought, will see a return to herd rebuilding with producers retaining stock from slaughter for breeding purposes. Lower slaughter will see a slight reduction in production and exports in CY 2010 compared with the previous year. This trend is already underway in the second half of CY 2009 with some processing plants cutting shifts because of the reduced supply of slaughter cattle.

Numbers of cattle on feed continue to build steadily in CY 2009, following sharp declines in CY 2008. Lower grain prices have assisted feedlot placements greatly while an improved exchange rate appears to have partially buffered this sector from the current global financial crisis. However, these improvements have been somewhat constrained by shortages in cattle supply due to improved pasture conditions and continued shortages of certain feedstuffs. Going forward, feedlot numbers should continue to build for the remainder of CY 2009 and into CY 2010 as grain inventories also continue to build. Post advises that despite increased numbers of cattle on feed, current feedlot placements remain well below the levels achieved in CY 2006 and CY 2007.

Exports are forecast to ease in CY 2010 as a result of slightly lower production and reduced export market demand. Current industry reports have export demand down slightly but domestic consumption stronger. Recent gains in the Australian dollar has created concerns for exporters.

Changes in the valuation of the Australian dollar have a dramatic affect on exports of beef and veal and on imports of pig meat. Currently valued at US\$.84, it is well below the high of US\$0.97 reached during July 2008 and well above the US\$0.62 recorded in December 2008 following the global financial crisis.

## Commodities:

Meat, Beef and Veal  
Animal Numbers, Cattle

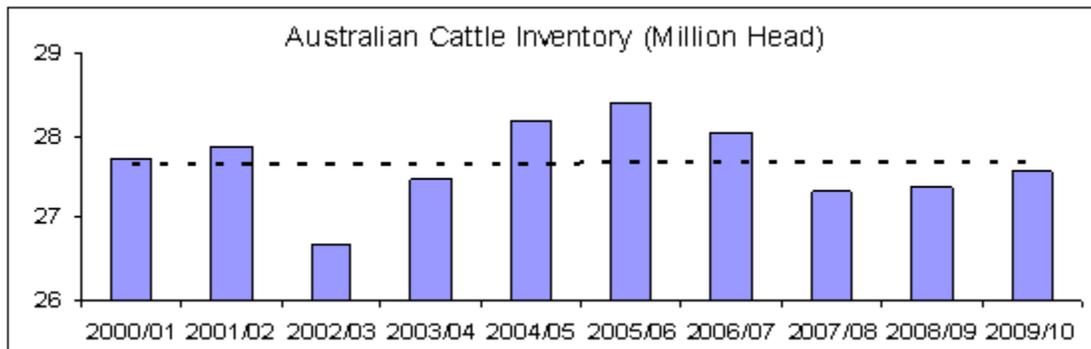
## Production:

## Inventory

Inventory for CY 2010 is forecast to close at 28.46 million head, up two percent on the closing inventory for the previous year. Improved pasture conditions and lower fodder prices are expected to see numbers increase slightly as producers withhold cattle from slaughter.

An inventory of 28.46 million cattle, if achieved, would be the highest since 1978. The record for cattle inventory remains the 32.67 million head reached in 1976.

Confidence in the cattle industry remains relatively high, despite the recent global financial crises. This confidence is reflected by relatively high prices currently received in cattle markets at time of writing this report.

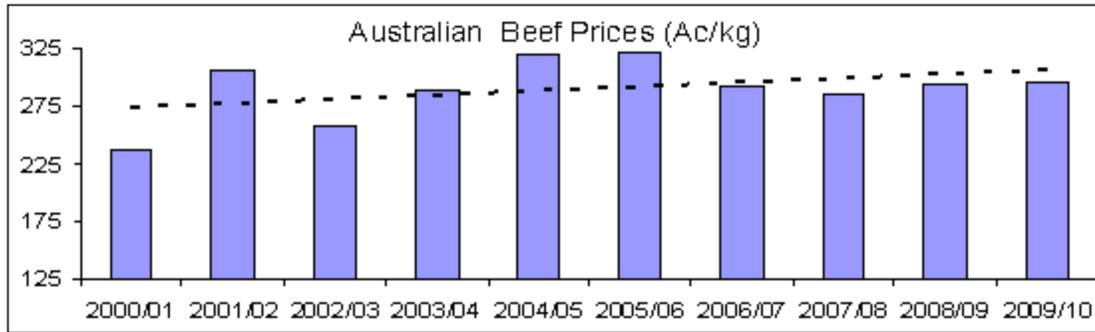


Source: ABARE (July-June)

## Prices

Prices paid for live cattle are considered relatively firm. Reduced supply of cattle, due to herd rebuilding is primarily responsible for this. A steadily strengthening Australian dollar and subdued export demand continue to constrain price increases.

Prices paid for live cattle are expected to increase slightly in 2009/10 (July-June) as are prices received for beef exported to the US. Exports to Japan however are expected to suffer price reductions. Prices for live cattle are forecast by ABARE to remain above the ten-year average. However, if dry weather conditions are widespread, going forward would likely see cattle prices decline.

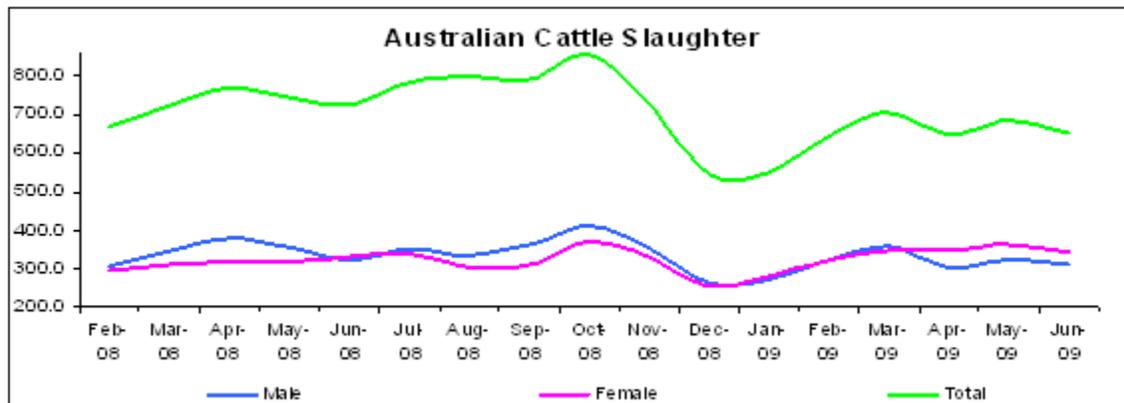


Source: ABARE (July-June)

## Slaughter

Post forecasts slaughter to decrease slightly in CY 2010 to 8.55 million head. This level remains below the ten-year average and signals a return to herd rebuilding following years of drought and high slaughter.

Post advises that lower slaughter remains contingent upon normal weather conditions allowing an increase in inventory. A return to drought conditions would likely increase slaughter beyond levels forecast by post.



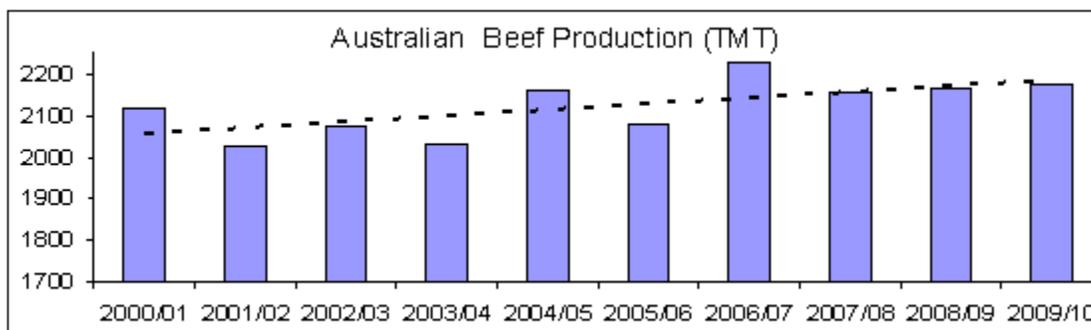
Source: ABS

## Production

Production is forecast to decrease slightly in CY 2010 to 2,075 TMT. This forecast remains slightly below the ten-year-average and is constrained by lower slaughter due to improved seasonal conditions. Long running and severe drought, which began in CY 2002, previously pushed slaughter and production to record levels.

Carcass yield is expected to remain lower in CY 2010 as fewer adult cattle are slaughtered due to improved conditions. Should conditions deteriorate, this could increase and push production beyond current forecasts.

Some recent industry reports forecast production increasing slightly in 2010. Post believes that growth in slaughter and production will not likely allow for sufficient herd rebuilding.

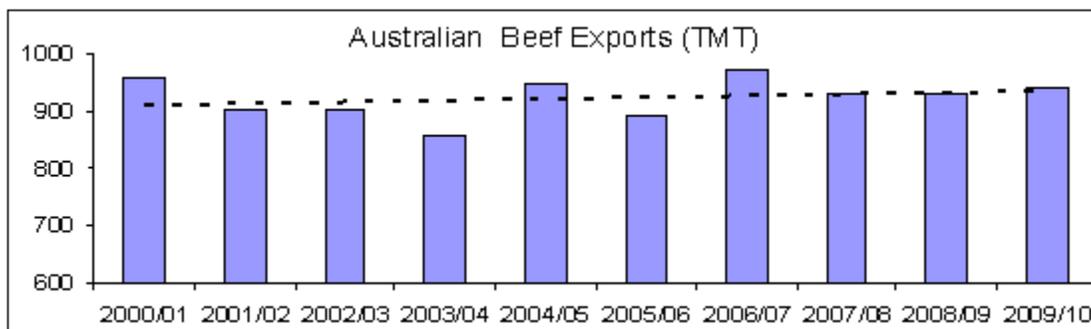


Source: ABARE (July-June)

**Trade:**

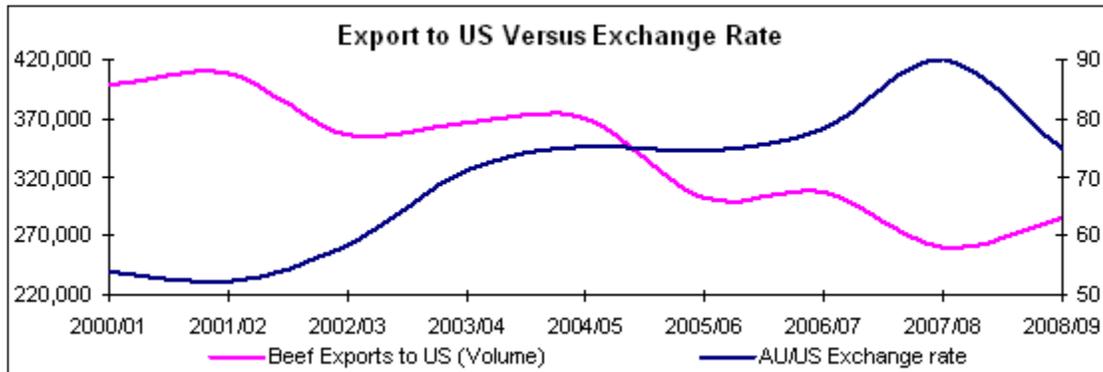
**Exports**

Total beef exports for CY 2010 are forecast to fall to 1,350 TMT (Carcass Weight Equivalent), down on the revised estimate of 1,390 TMT for the previous year. Exports of this level would roughly equate to 929 TMT in shipped weight, using a conversion factor of 1.4. Post's forecast, if achieved, would be considered only slightly above average according to ABARE's historical data.



Source: ABARE (July-June)

Post anticipates that slightly lower production and continued strong domestic demand is likely to see exports fall slightly in CY 2010. The Australian dollar, which suffered a sharp decline in CY 2008, has been steadily increasing throughout CY 2009. At time of writing this report, the Australian dollar was valued at US\$0.84, slightly above the ten year average but well below the level of year previous.



Source: ABARE/ABS

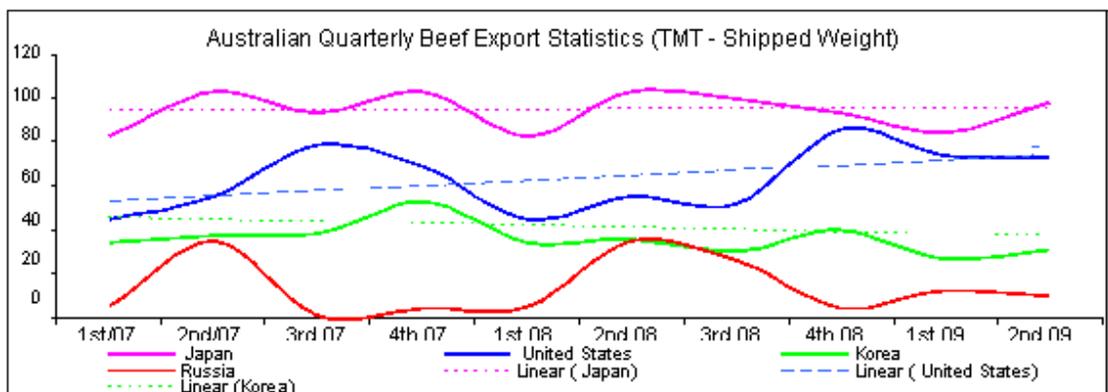
## Export Markets

Slightly lower production and slightly stronger domestic demand in CY 2010 is expected to reduce the availability of beef suitable for export. A steadily appreciating Australian dollar, at time of writing this report, will also likely constrain exports going forward.

**Exports to the US** have rebounded in CY 2009 due to a sharply devalued Australian dollar. Post anticipates exports to this market to remain strong again in CY 2010, despite a steady increase in the Australian dollar value more recently as US consumers purchase more hamburgers. Post advises that the US market perhaps offers the best prospect for increased exports despite the anticipated fall in exportable surplus. Industry sources advise that an assumed increase in US exports going forward may provide greater opportunities for Australian beef in the US.

**Exports to Japan** have held relatively firm in CY 2009 despite difficult trading conditions. Improved supplies of grain-fed beef together with less demand competition from other export markets such as Korea have combined to see exports to this market fall only slightly, despite sluggish demand.

**Exports to Korea** on a quarterly basis have remained at relatively low levels in CY 2009. Increased competition from US beef is expected to see Australian exports to Korea remain at modest levels.



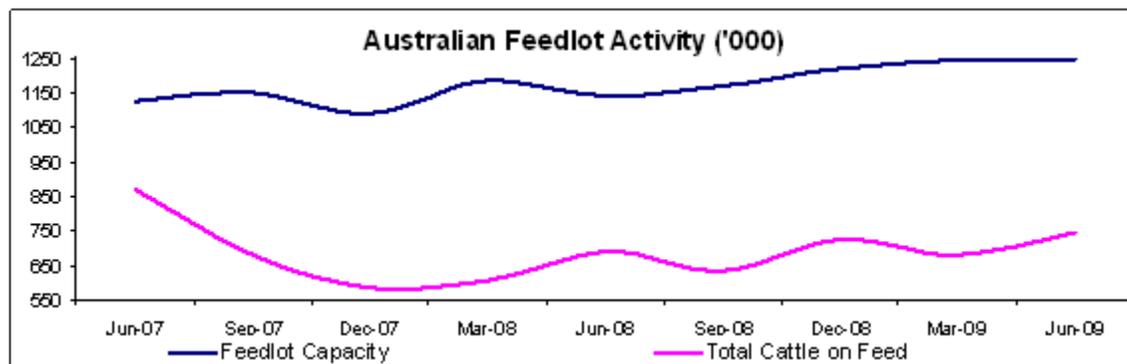
Source: World Trade Atlas

**Exports to Russia** have fallen sharply in CY 2009. At its peak, Russia briefly surpassed Korea in CY 2008 to become Australia's third largest export market. Industry reports suggest Russian importers continue to face credit problems and this, combined with some access issues are likely to persist well into CY 2010.

## Cattle on feed

Total numbers of cattle on feed in Australia have continued to grow modestly through CY 2009 with numbers on feed remaining previous high levels. Despite reaching 744,000 in the 2009 June quarter, this level remains well below the record 940,000 head achieved in CY 2006.

Post anticipates numbers of cattle on feed to continue growing at modest levels during CY 2010. Improved feed grain supplies, which are responsible for increased placements, will be somewhat constrained by sluggish export demand and tight availability of suitable cattle.



Source: Australian Lot Feeders Association

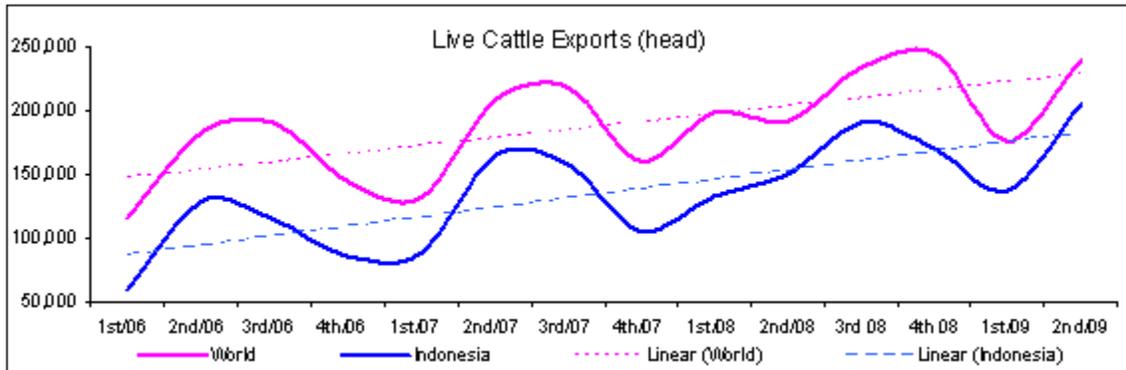
## Live cattle

Live cattle exports are forecast to increase only slightly in CY 2010. Shipments of cattle have increased substantially following low levels in CY 2006. Strong growth in CY 2008 and CY 2009 has been driven by increased demand from Indonesia and increased cattle availability due to dry conditions in northern Australia.

Improved seasonal conditions and the associated lower supply of cattle are expected to constrain growth in live cattle exports going forward. Post anticipates total cattle exports to increase only slightly in CY 2010.

**Policy:**

US beef has been denied access to the Australian market since the detection of BSE in the US, despite the efforts by US Government representatives to have the market opened. Australian industry sources have made representation to senior Australian government figures asking for the Australian market to be reopened to US beef due to concerns regarding fair treatment a future Australian beef exports. Post will continue to aggressively push for the removal of this non-tariff trade barrier.



Source: World Trade Atlas

## Production, Supply and Demand Data Statistics:

<b>Animal Numbers, Cattle</b>										
	2008 Revised			2009 Estimate			2010 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2008	01/2008		01/2009	01/2009		01/2010	01/2010	MM/YYYY
Total Cattle Beg. Stks	28,040	28,040	28,040	28,580	28,580	27,321			27,815	(1000 HEAD)
Dairy Cows Beg. Stocks	1,617	1,617	1,617	1,641	1,641	1,641			1,650	(1000 HEAD)
Beef Cows Beg. Stocks	12,700	12,700	12,700	12,950	12,950	12,950			12,990	(1000 HEAD)
Production (Calf Crop)	10,238	10,238	9,079	9,945	9,845	10,134			10,185	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0			0	(1000 HEAD)
Other Imports	0	0	0	0	0	0			0	(1000 HEAD)
Total Imports	0	0	0	0	0	0			0	(1000 HEAD)
Total Supply	38,278	38,278	37,119	38,525	38,425	37,455			38,000	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0			0	(1000 HEAD)
Other Exports	868	870	870	825	825	890			895	(1000 HEAD)
Total Exports	868	870	870	825	825	890			895	(1000 HEAD)
Cow Slaughter	3,600	3,600	3,600	3,550	3,550	3,550			3,550	(1000 HEAD)
Calf Slaughter	820	820	820	840	840	840			850	(1000 HEAD)
Other Slaughter	4,358	4,358	4,358	4,210	4,210	4,210			4,150	(1000 HEAD)
Total Slaughter	8,778	8,778	8,778	8,600	8,600	8,600			8,550	(1000 HEAD)
Loss	52	50	150	150	50	150			150	(1000 HEAD)
Ending Inventories	28,580	28,580	27,321	28,950	28,950	27,815			28,455	(1000 HEAD)
Total Distribution	38,278	38,278	37,119	38,525	38,425	37,455			38,050	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	0			0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0			0	(1000 HEAD)
Balance	0	0	0	0	0	0			50	(1000 HEAD)
Inventory Balance	540	540	-719	370	370	494			640	(1000 HEAD)
Inventory Change	-1	-1	-1	2	2	-3			2	(PERCENT)
Cow Change	-2	0	-2	2	0	0			0	(PERCENT)
Production Change	9	9	9	-3	-4	12			1	(PERCENT)
Production to Cows	72	72	63	68	67	69			70	(PERCENT)
Trade Balance	868	870	870	825	825	890			895	(1000 HEAD)
Slaughter to Inventory	31	31	31	30	30	31			31	(PERCENT)

## Meat, Beef and Veal

	2008 Revised			2009 Estimate			2010 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2008	01/2008		01/2009	01/2009		01/2010	01/2010	MM/YYYY
Slaughter (Reference)	8,778	8,778	8,778	8,600	8,600	8,600			8,550	(1000 HEAD)
Beginning Stocks	91	91	91	115	115	115			137	(1000 MT CWE)
Production	2,159	2,159	2,159	2,100	2,100	2,100			2,075	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0			0	(1000 MT CWE)
Other Imports	8	8	8	7	7	7			6	(1000 MT CWE)
Total Imports	8	8	8	7	7	7			6	(1000 MT CWE)
Total Supply	2,258	2,258	2,258	2,222	2,222	2,222			2,218	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0			0	(1000 MT CWE)
Other Exports	1,407	1,408	1,407	1,350	1,350	1,390			1,350	(1000 MT CWE)
Total Exports	1,407	1,408	1,407	1,350	1,350	1,390			1,350	(1000 MT CWE)
Human Dom. Consumption	736	735	736	740	740	745			755	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0			0	(1000 MT CWE)
Total Dom. Consumption	736	735	736	740	740	745			755	(1000 MT CWE)
Ending Stocks	115	115	115	132	132	137			113	(1000 MT CWE)
Total Distribution	2,258	2,258	2,258	2,222	2,222	2,272			2,218	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0	0					(1000 MT CWE)
CY. Exp. to U.S.	365	332	365	340	400	400			400	(1000 MT CWE)
Balance	0	0	0	0	0	50			0	(1000 MT CWE)
Inventory Balance	24	24	24	17	17	22			-24	(1000 MT CWE)
Weights	246	246	246	244	244	244			243	(1000 MT CWE)
Production Change	-1	-1	-1	-3	-3	-3			-1	(PERCENT)
Import Change	14	14	14	-13	-13	-13			-14	(PERCENT)
Export Change	1	1	1	-4	-4	-1			-3	(PERCENT)
Trade Balance	1,399	1,400	1,399	1,343	1,343	1,383			1,344	(1000 MT CWE)
Consumption Change	2	2	2	1	1	1			1	(PERCENT)
Population	0	0		0	0					(HEAD)
Per Capita Consumption	0	0	0	0	0	0			0	(KG)

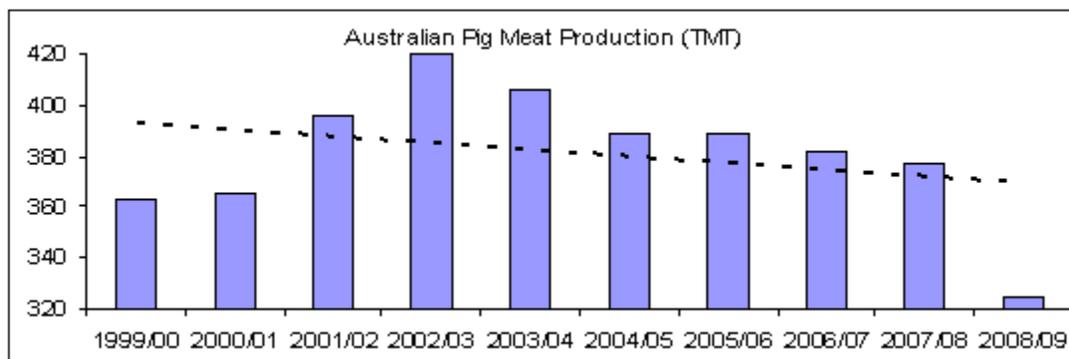
## Commodities:

Animal Numbers, Swine  
Meat, Swine

## Production:

Total pig meat production is forecast to increase to 346 TMT in CY 2010, largely in line with ABARE's forecast increase. If achieved this would be considered to be well below average according to ABARE's historical data and represents a turnaround from a prolonged period of contracting production.

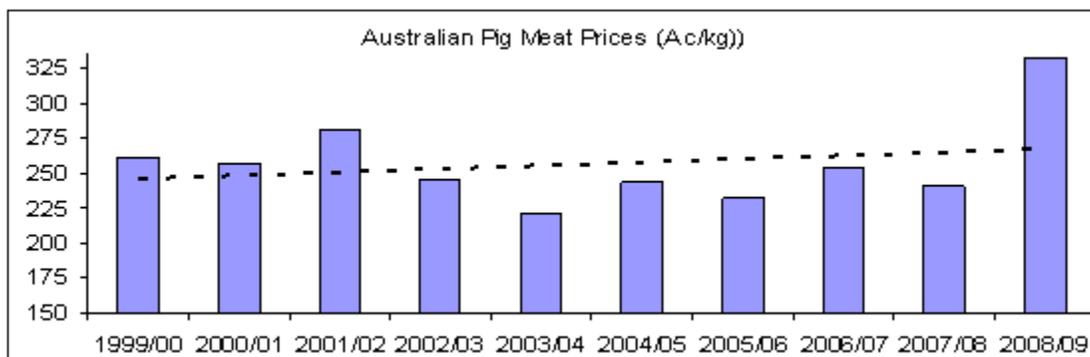
Improved supplies of feed grain combined with greatly improved pig prices will likely see production begin to increase in 2010. Supplies of feed grain, which represent around two thirds of the cost of the production, reached record lows following prolonged and severe drought which began in CY 2002. The Australian pig meat sector has undergone significant restructuring with many producers leaving the industry since CY 2002.



Source: ABARE (July-June)

## Prices

Prices received for live pigs have increased in recent times with ABARE estimates putting prices at AU\$3.32 in 2008/09 (July-June), up sharply from the AU\$2.40 reported for the previous year. Prices are expected to ease slightly in 2009/10 but are likely to remain at historically high levels.



Source: ABARE (July-June)

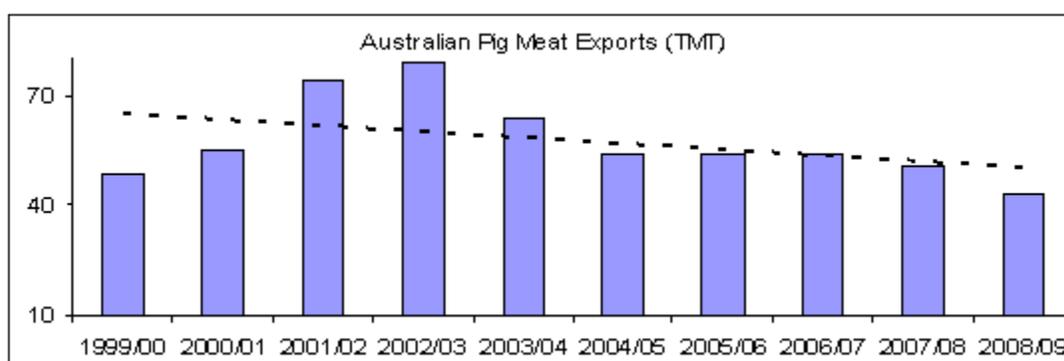
## Trade:

### Imports

Total imports of pig meat for CY 2010 are forecast to increase to 150 TMT (Carcass Weight Equivalent – CWE). This would roughly equate to around 115 TMT in shipped weight (using a conversion factor of 1.3). Post's forecast, if achieved would represent a record level for imported pork.

### Exports

Total exports of pig meat in 2009/10 are forecast to increase to 48 TMT. Increased production is expected to an increase in the availability of pork suitable for export.



Source: ABARE (July-June)

## Policy:

With regards to the H1N1 virus, Australia has reported three outbreaks in hog farms. The government has worked hard to effectively quarantine the disease and limit outbreaks. In addition, the government and Australia Pork Limited, the peak industry body, have conducted extensive public relations campaigns to communicate with domestic consumers as well as with importing countries about the safety of eating pork as it relates to the H1N1 virus. The Australian media has also reported widely on the H1N1 outbreaks and repeatedly mentions the safety of consuming pork. Australian governments, both state and federal, reacted quickly to H1N1 in the human population. As a result of these effective outreach efforts, consumer demand in CY 2009 does not appear to have been greatly affected by the H1N1 issue with pork prices falling only slightly and remaining well above levels achieved in the previous year.

**Production, Supply and Demand Data Statistics:**

<b>Animal Numbers, Swine</b>										
	2008 Revised			2009 Estimate			2010 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2008	01/2008		01/2009	01/2009		01/2010	01/2010	MM/YYYY
Total Beginning Stocks	2,605	2,605	2,605	2,181	2,181	2,181			2,200	(1000 HEAD)
Sow Beginning Stocks	299	299	299	312	312	312			325	(1000 HEAD)
Production (Pig Crop)	4,422	4,422	4,422	4,619	4,619	4,619			4,825	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0			0	(1000 HEAD)
Other Imports	0	0	0	0	0	0			0	(1000 HEAD)
Total Imports	0	0	0	0	0	0			0	(1000 HEAD)
Total Supply	7,027	7,027	7,027	6,800	6,800	6,800			7,025	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0			0	(1000 HEAD)
Other Exports	0	0	0	0	0	0			0	(1000 HEAD)
Total Exports	0	0	0	0	0	0			0	(1000 HEAD)
Sow Slaughter	0	0	0	0	0	0			0	(1000 HEAD)
Other Slaughter	4,846	4,846	4,846	4,600	4,600	4,600			4,750	(1000 HEAD)
Total Slaughter	4,846	4,846	4,846	4,600	4,600	4,600			4,750	(1000 HEAD)
Loss	0	0	0	0	0	0			0	(1000 HEAD)
Ending Inventories	2,181	2,181	2,181	2,200	2,200	2,200			2,275	(1000 HEAD)
Total Distribution	7,027	7,027	7,027	6,800	6,800	6,800			7,025	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	0				(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0				(1000 HEAD)
Balance	0	0	0	0	0	0			0	(1000 HEAD)
Inventory Balance	-424	-424	-424	19	19	19			75	(1000 HEAD)
Inventory Change	5	5	5	-16	-16	-16			1	(PERCENT)
Sow Change	4	4	4	4	4	4			4	(PERCENT)
Production Change	-19	-19	-19	4	4	4			4	(PERCENT)
Production to Sows	15.	15.	14.8	15.	15.	14.8			14.8	(PERCENT)
Trade Balance	0	0	0	0	0	0			0	(1000 HEAD)
Slaughter to Inventory	186	186	186	211	211	211			216	(PERCENT)

## Meat, Swine

	2008 Revised			2009 Estimate			2010 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2008	01/2008		01/2009	01/2009		01/2010	01/2010	MM/YYYY
Slaughter (Reference)	4,846	4,846	4,846	4,600	4,600	4,600			4,750	(1000 HEAD)
Beginning Stocks	37	37	37	33	33	33			26	(1000 MT CWE)
Production	348	348	348	335	355	335			346	(1000 MT CWE)
Intra-EU Imports	0	0		0	0	0			0	(1000 MT CWE)
Other Imports	152	151	152	140	140	140			150	(1000 MT CWE)
Total Imports	152	151	152	140	140	140			150	(1000 MT CWE)
Total Supply	537	536	537	508	528	508			522	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0			0	(1000 MT CWE)
Other Exports	48	48	48	50	57	45			48	(1000 MT CWE)
Total Exports	48	48	48	50	57	45			48	(1000 MT CWE)
Human Dom. Consumption	456	455	455	437	450	437			450	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0			0	(1000 MT CWE)
Total Dom. Consumption	456	455	455	437	450	437			450	(1000 MT CWE)
Ending Stocks	33	33	33	21	21	26			24	(1000 MT CWE)
Total Distribution	537	536	536	508	528	508			522	(1000 MT CWE)
CY Imp. from U.S.	0	45	54	0	0	0			0	(1000 MT CWE)
CY. Exp. to U.S.	0	0		0	0	0			0	(1000 MT CWE)
Balance	0	0	-1	0	0	0			0	(1000 MT CWE)
Inventory Balance	-4	-4	-4	-12	-12	-7			-2	(1000 MT CWE)
Weights	72	72	72	73	77	73			73	(1000 MT CWE)
Production Change	-10	-10	-10	-4	2	-4			3	(PERCENT)
Import Change	8	7	8	-8	-7	-8			7	(PERCENT)
Export Change	-11	-11	-11	4	19	-6			7	(PERCENT)
Trade Balance	-104	-103	-104	-90	-83	-95			-102	(1000 MT CWE)
Consumption Change	-1	-1	-1	-4	-1	-4			3	(PERCENT)

## 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>.

Report Number	Title of Report	Date
AS9029	Grain and Feed Quarterly Lock-up Report	07/31/09
AS9028	FAIRS Country Report	07/27/09
AS9027	Agricultural Biotechnology Report	06/14/09
AS9025	Australia Gains Improved Access for Citrus & Mangos to China	06/17/09
AS9024	Global Biosecurity Conference to be held in Australia: Call for Abstracts	06/11/09
AS9020	Dairy & Products Semi-Annual	05/15/09
AS9018	Cotton Annual	04/28/09
AS9016	Sugar Annual	04/02/09
AS9015	Grain and Feed Annual 2009	03/20/09
AS9014	Stone Fruit Annual 2009	03/13/09
AS9012	Agricultural Economy and Policy Report	03/12/09
AS9010	Livestock Semi-Annual	03/06/09
AS9009	Government Announces A\$32m Research into Soil Carbon & Emissions	03/06/09