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# meat

## outlook for beef and veal, sheep meat, pigs and poultry to 2011-12

> frank drum, ian shaw, anton wood, dale ashton and patrick lindsay

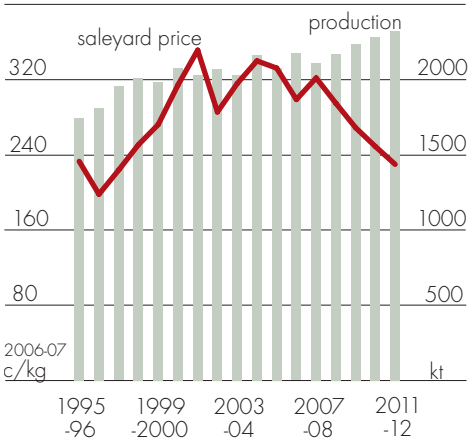
## beef and veal

> frank drum, ian shaw and patrick lindsay

The Australian weighted saleyard price of beef is forecast to increase by 10 per cent in 2007-08 to average 330 cents a kilogram (dressed weight) reflecting increased demand from restockers and forecast lower Australian beef production. In addition, in 2007-08, demand for Australian beef in Japan is expected to remain relatively unchanged – assuming that the import protocols relating to BSE (bovine spongiform encephalopathy or 'mad cow' disease) applied by Japan against US beef imports remain unaltered.

Over the medium term, Australian saleyard prices are expected to ease in line with higher domestic beef production and increased competition in key export markets. With the Republic of Korea and the United States expected to sign a free trade agreement in the next six months, Korea's import protocols relating to US beef imports may be relaxed. Reflecting this, US exports to Korea are projected to return to pre-BSE levels over the outlook period.

**Australian beef**




With Australian production forecast to increase over the medium term and competition in key export markets likely to intensify, Australian saleyard prices are forecast to decline. In real terms, Australian saleyard prices are projected to average 230 cents a kilogram (in 2006-07 dollars) in 2011-12.

### herd rebuilding to constrain supply

In 2006-07, drought conditions across much of Australia are estimated to result in slaughterings increasing by 5 per cent to around 8.9 million. Largely as a result of increased turnoff, the Australian cattle herd is forecast to fall to 27.7 million by June 2007. Assuming the drought breaks in autumn in southern Australia, there is likely to be greater retention of female cattle for herd rebuilding. By June 2008, the Australian cattle herd is forecast to increase to 28.2

million. However, with the widespread nature of the drought it is expected to take several years before cattle numbers recover to predrought levels.

With production projected to increase over the outlook period, saleyard prices are expected to ease, reducing the incentive to expand the herd. Australian cattle numbers are consequently projected to peak at 29.1 million in 2009-10.

## domestic markets to be affected by lower slaughterings

In 2007-08, production will be constrained by lower overall cattle numbers, a reduced calf crop and the retaining of stock to build herd numbers. As a result, slaughterings in 2007-08 are forecast to decline by 3 per cent to 8.6 million and production to fall by 2 per cent to 2.1 million tonnes.

Over the medium term, beef and veal production is expected to increase in line with the expanding cattle herd. Increases in average slaughter weights, reflecting a return to average seasonal conditions and an expanding feedlot sector, will also contribute to higher production. Beef and veal production is projected to reach 2.3 million tonnes in 2011-12.

In 2006, fed cattle turnoff reached 2.6 million, 25 per cent above turnoff in 2003, as increased demand for Australian beef in Japan and Korea (following the exclusion of US beef from those markets in December 2003) supported further expansion in the Australian lot feeding sector. In addition, drought conditions across much of Australia in 2006, resulted in increased placements in feedlots to finish cattle for the domestic market. With demand for Australian grain fed beef likely to remain strong over the medium term, further investment in the Australian lot feeding sector is expected.

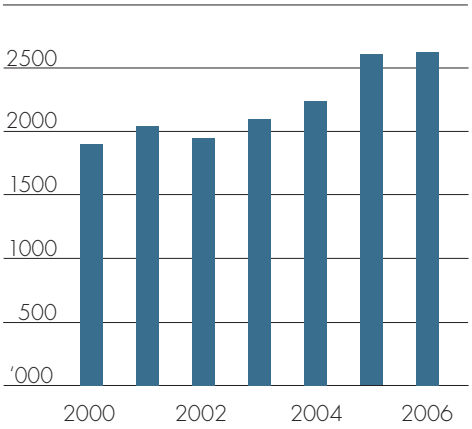
Higher prices in 2007-08 are forecast to lead to a 3 per cent fall in domestic consumption to an average of 34.3 kilograms per person. Australian beef consumption is projected

### beef and veal outlook – Australia

| | Unit | 2004 -05 | 2005 -06 | 2006 -07 f | 2007 -08 z | 2008 -09 z | 2009 -10 z | 2010 -11 z | 2011 -12 z |
|---|---|---|---|---|---|---|---|---|---|
| Saleyard price **a** | | | | | | | | | |
| – nominal | Ac/kg | 320 | 322 | 299 | 330 | 310 | 290 | 275 | 260 |
| – real **b** | Ac/kg | 340 | 332 | 299 | 322 | 295 | 269 | 249 | 230 |
| Cattle numbers **c** | million | 27.8 | 28.6 | 27.7 | 28.2 | 28.6 | 29.1 | 28.9 | 28.7 |
| – beef | million | 24.7 | 25.5 | 24.8 | 25.3 | 25.7 | 26.1 | 25.7 | 25.4 |
| Slaughterings | '000 | 8 853 | 8 401 | 8 863 | 8 600 | 8 800 | 9 100 | 9 200 | 9 300 |
| Production | kt | 2 162 | 2 077 | 2 175 | 2 111 | 2 172 | 2 240 | 2 286 | 2 322 |
| Consumption per person | kg | 35.6 | 35.4 | 35.3 | 34.3 | 34.7 | 35.5 | 35.7 | 35.8 |
| Retail price | | | | | | | | | |
| – nominal | Ac/kg | 1 449 | 1 540 | 1 550 | 1 580 | 1 560 | 1 550 | 1 565 | 1 585 |
| – real **b** | Ac/kg | 1 542 | 1 588 | 1 550 | 1 541 | 1 485 | 1 439 | 1 418 | 1 401 |
| Export volume **d** | kt | 948 | 892 | 952 | 925 | 955 | 985 | 1 007 | 1 025 |
| – to United States | kt | 363 | 295 | 286 | 270 | 280 | 300 | 330 | 355 |
| – to Japan | kt | 419 | 388 | 400 | 390 | 380 | 390 | 410 | 430 |
| – to Korea, Rep. of | kt | 91 | 121 | 161 | 120 | 100 | 90 | 100 | 115 |
| Export value | | | | | | | | | |
| – nominal | A$m | 4 584 | 4 272 | 4 332 | 4 645 | 4 505 | 4 347 | 4 214 | 4 055 |
| – real **b** | A$m | 4 879 | 4 406 | 4 332 | 4 532 | 4 288 | 4 036 | 3 818 | 3 584 |
| Live cattle exports | '000 | 574 | 549 | 600 | 660 | 710 | 745 | 775 | 790 |

**a** Dressed weight equivalent. **b** In 2006-07 Australian dollars. **c** At 30 June. **d** Fresh, chilled and frozen, shipped weight. **f** ABARE forecast. **z** ABARE projection.
*Sources:* Department of Agriculture, Fisheries and Forestries; Australian Bureau of Statistics; ABARE.

**Australian fed cattle turnoff**




to rise to almost 36 kilograms per person by 2011-12, around 1 per cent higher than in 2006-07. This increase largely reflects projected relatively modest rises in retail prices of beef compared with lamb.

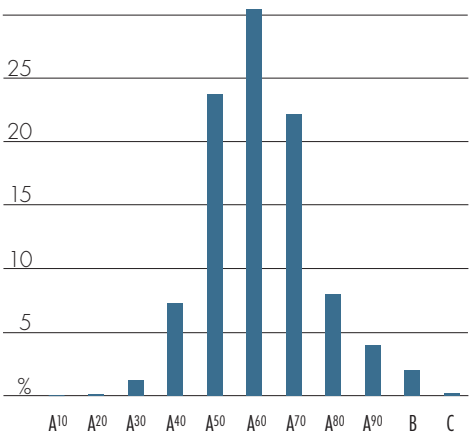
## Australian beef exports to increase over the medium term

Australian beef exports are forecast to fall by 3 per cent to 925 000 tonnes in 2007-08, reflecting lower domestic beef production. However, the value of Australian beef exports is forecast to increase by 7 per cent to $4.6 billion, with an increase in export unit values more than offsetting the effects on earnings of a fall in export volumes. Over the medium term, beef exports are projected to increase as slaughterings, and hence production, increase in line with an expanding herd. By 2011-12 exports are projected to be more than 1 million tonnes (shipped weight), around 8 per cent greater than in 2006-07. Despite greater export volumes, the value of beef exports is projected to be around $3.6 billion in real terms (2006-07 dollars) in 2011-12 as prices in export markets ease with rising competition in markets such as Japan and the Republic of Korea.

## resumption in US–Japan beef trade

In July 2006 the Japanese food safety commission approved the resumption of imports of US beef, ending a 31 month ban. Under the conditions of re-entry, Japan will only accept shipments of US beef from cattle aged twenty months or younger. Age can be verified by registering calves in a US Department of Agriculture approved 'quality system assessment' (QSA) program or cattle can be determined to be A40 physiological maturity or younger using US standards. Currently only 5 per cent of US fed cattle have documentation proving chronological age, and the A40 classification is such a tight measure that on average less than 9 per cent of cattle slaughtered are classified as A40 carcasses or below.

**classification of US beef carcasses**




Although Japanese imports of US beef are expected to increase in the short term in line with the peak slaughter period for these animals in the United States (April–June) they are likely to remain well below pre-BSE levels. Reflecting the difficulties of sourcing animals that meet Japan's import criteria, in the five months since July 2006, Japan imported only 4200 tonnes (shipped weight) of US beef. Prior to the closure of the Japanese market in late 2003, exports of US beef to Japan were 260 000 – 300 000 tonnes (shipped weight) a year.

The US Government is currently negotiating with Japan over changes to the existing import protocols, with negotiations focusing on the potential for Japan to adopt the current World Organisation for Animal Health (OIE) risk standard, for determining the safety

of beef. Current OIE standards allow for the trade in beef products from cattle up to thirty months of age, after specified BSE risk materials have been removed. However, given that the adoption of OIE standards is not mandatory, Japan appears unlikely to move to them.

Over the medium term, exports of US beef to Japan are likely to be constrained by two key factors – the availability of beef carcasses classified A40 or below and the limited number of cuts that the Japanese want to import from the United States.

According to the US Meat Export Federation, exports of US beef to Japan typically comprise seven cuts, representing 15 per cent of the carcass. Assuming that there is limited adoption of age verification programs, it is estimated that with US production forecast to increase in 2007, the volume of beef eligible for export to Japan could be as little as 165 000 tonnes (shipped weight).

By 2011-12, US beef supplies eligible for export to Japan could rise to around 180 000 tonnes as a result of increased availability and slaughter of suitable animals. However, this level of exports is still considerably below the 270 000 tonnes exported in 2003, before the BSE outbreak.

## Japanese demand for Australian beef to remain strong

Australian exports to Japan are forecast to increase by 3 per cent in 2006-07 to 400 000 tonnes, underpinned by increased demand for Australian beef in that market. Reflecting this, Australian export prices for grain fed and grass fed beef are estimated to increase by 4 per cent and 11 per cent respectively in 2006-07, to 522 cents and 480 cents a kilogram.

In 2007-08, higher Australian beef prices and increased competition from the United States is forecast to lead to Australian exports to Japan falling by 2 per cent to 390 000 tonnes.

By 2011-12, Australian exports of beef to Japan are projected to increase to 430 000 tonnes (shipped weight). This growth reflects lower Australian saleyard prices, and increased total demand for imported beef in Japan. In addition, US exports to Japan are expected to be constrained over the medium term by the limited availability of A40 beef.

Australian and Japanese government officials have agreed to start negotiations over the develop-

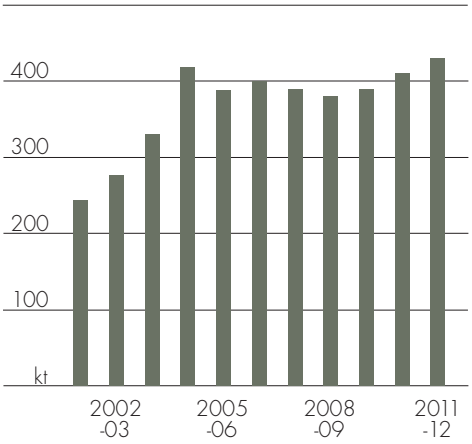
### amendments to Japan's snapback tariff

In anticipation of a significant increase in total beef imports, the Japanese Government has recently announced an amendment to its beef tariff snapback mechanism. The snapback tariff is a safeguard arrangement negotiated by the Japanese Government as a side agreement to the WTO Uruguay Round Agreement on Agriculture in 1994. The provisions are safeguard measures that apply separately to Japanese imports of both chilled and frozen beef and are calculated on cumulative import volumes for the Japanese financial year. If cumulative quarterly imports in the current year exceed the volume in the same period of the previous year by 17 per cent, the safeguard may be applied for the remainder of the financial year. Under snapback, the *ad valorem* tariff on imports of beef would increase from 38.5 per cent to 50 per cent.

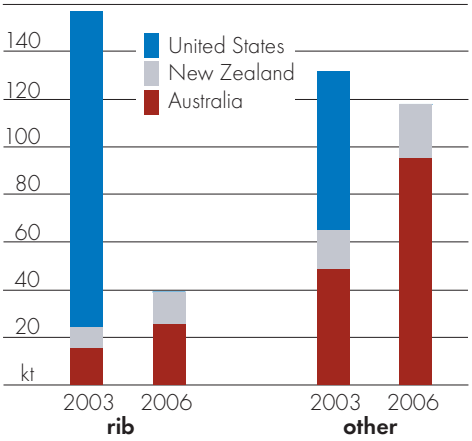
However, Japan's Tariff Council recently endorsed a proposed amendment to the Temporary Tariff Measures Law for 2007. Under the new law, the safeguard will be amended for the 2007-08 Japanese financial year (April–March) in recognition of the resumption of trade between the United States and Japan and an anticipated increase in US beef exports to Japan over the next twelve months. The new amendment is similar to the amendment to the Temporary Tariff Measures Law introduced for the first time in 2006. The new law changes the base period for calculation of the tariff snapback measure and is now an average of imports during the Japanese financial years 2002-03 and 2003-04. In addition, in the event that a trigger level calculated using financial years 2002-03 and 2003-04 is below the trigger level calculated using financial year 2005-06; the actual import volume in 2005-06 will be used as a base for calculation of a trigger level. This exception will apply to frozen beef in the first quarter 2007

The change in the safeguard law allows for an increase in the volumes of chilled and frozen beef that can be imported without triggering an increase in the tariff from 38.5 per cent to 50 per cent. Thus, despite trade between the United States and Japan expected to increase over the medium term, it is unlikely that the snapback will be triggered in 2007.

**Australian beef exports to Japan**




**Korean beef imports, by cut**




ment of a Free Trade Agreement (FTA) between the two countries. If an agreement is reached Australian exports of beef to Japan could increase by more than currently projected. Beef exports to Japan currently face a tariff of 38 per cent and eliminating or reducing that tariff, as a result of an FTA, would increase demand for Australian beef in Japan and bring about considerable gains to the beef industry.

## Korean demand to increase

With an increasing population, higher assumed economic growth, and increased income per person, beef consumption in the Republic of Korea is expected to trend higher over the outlook period. Therefore, despite an expected increase in domestic beef production, total demand for imported beef in Korea is expected to increase over the outlook period.

Prior to the discovery of BSE in 2003, the United States accounted for 70 per cent of total Korean beef imports, with around 60 per cent of the trade being in rib product. However, since the exclusion of US beef, Korean demand for Australian beef has increased significantly. In calendar 2006, Australian exports to Korea increased by 40 per cent to 150 000 tonnes (shipped weight). Although Australian exports have increased, the composition of cuts has remained relatively unchanged, with rib cuts representing around 25 per cent of Australian exports in 2006. Consequently, if the United States is able to gain greater access to the Korean market in the short term, their comparative advantage in producing rib cuts is likely to result in the displacement of some Australian product.

Australian exports to Korea are expected to decline in 2007-08, assuming Korea agrees to relax its current restrictive import protocols as part of the free trade agreement currently being negotiated between the United States and Korea. If the protocols are relaxed within the next six months, then demand for Australian beef will fall. Reflecting the likely greater competition from US beef, Australian exports to Korea in 2007-08, are forecast to fall by 25 per cent to 120 000 tonnes.

With the import protocols applied against US beef in Korea likely to be eased over the outlook period, competition for Australian exports in Korea is expected to intensify. As a result, Australian exports to Korea are projected to decline to 115 000 tonnes by 2011-12, 28 per cent below the estimate for 2006-07.

## increased competition from Uruguay in the US market

In 2006, Uruguayan exports to the United States fell by 47 per cent year on year, driven largely by high Uruguayan beef prices, resulting from increased demand from Chile

and the Russian Federation. Exportable beef supplies in south America in 2006 were disrupted by a short self imposed beef export ban in Argentina and trade restrictions against Brazilian beef following outbreaks of foot and mouth disease. These restrictions resulted in increased demand for Uruguayan beef from Chile and the Russian Federation, placing upward pressure on beef prices in Uruguay.

In 2007, however, with the Argentinean beef export ban having been relaxed, many countries easing import bans on Brazilian beef, and production in Uruguay forecast to increase, beef prices in Uruguay are expected to fall. Consequently, demand for Australian beef in the US manufacturing beef market may ease over the outlook period.

## Australian exports to the United States to increase over the medium term

In 2006, dry seasonal conditions in the United States resulted in US cow slaughter increasing by 10 per cent year on year, constraining herd expansion activity in the United States. Assuming a return to average seasonal conditions in 2007, US cow and heifer slaughter is expected to fall, as beef producers rebuild herds. As a result, US cow prices are forecast to increase, leading to increased demand for imported beef.

Despite the prospect of higher prices in the United States, Australian exports are forecast to fall in 2007-08, driven largely by two key factors – reduced Australian female cattle slaughter, as the domestic herd is rebuilt and increased competition from Uruguay. Consequently, Australian beef exports to the United States are forecast to decline by 5 per cent in 2007-08 to 270 000 tonnes. Over the medium term, however, Australian exports to the United States are projected to increase as Australian saleyard prices are forecast to fall. By 2011-12, Australian exports to the United States are projected to reach 355 000 tonnes, 24 per cent above forecast 2006-07 levels.

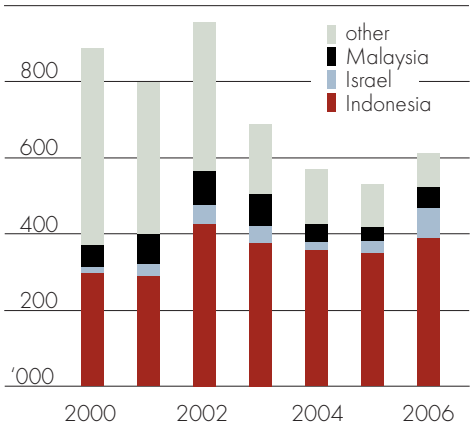
## Australian exports of live cattle to increase over the outlook period

Live cattle exports increased by 24 per cent year on year in the first six months of 2006-07, reflecting improved seasonal conditions in northern Australia and increased demand in Indonesia and Israel, Australia's largest two export markets. Above average seasonal conditions in northern Australia led to higher calving rates, increasing the available supply of animals for live export. In addition, a 12 per cent depreciation of the Australian dollar against the Israeli shekel in the first nine months of 2006 led to increased import demand for Australian live cattle in Israel. As a result, live cattle exports to Israel more than doubled in 2006, to around 80 000, and Israel displaced Malaysia as the second largest market for live cattle.

In 2007-08, Australian live cattle exports are forecast to increase by a further 10 per cent to 660 000, driven largely by an expansion in the supply of cattle.

Over the medium term, lower cattle prices and an assumed depreciation of the Australian dollar will make live exports more attractive to importing countries and are forecast to underpin further increases in live cattle exports. In addition, assuming average seasonal conditions over the outlook period, an increase in available supply of cattle for live export is expected to further underpin growth in live cattle exports. Reflecting this, live cattle exports are projected to rise by 32 per cent to 790 000 by 2011-12.

**Australian live cattle exports**



# sheep meat

> anton wood and dale ashton

The outlook for sheep meat over the next few years will be heavily influenced by producers' responses to the drought in 2006-07 and uncertainty about the extent and timing of a break in the drought. For adult sheep, developments in the wool market will also have a strong influence on outcomes over the coming year.

As the drought worsened during calendar 2006, many sheep producers reduced the number of wethers and older ewes in their flocks. Consequently, the number of adult sheep slaughtered in 2006-07 is forecast to rise by around 10 per cent to 13 million.

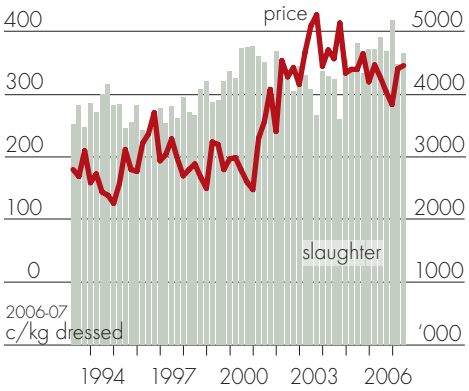
Although wool prices are forecast to ease slightly in 2007-08, returns from wool growing are expected to remain favourable enough to encourage producers to be rebuilding sheep flocks – contingent on there being a widespread break in the drought. In the short term, the most likely avenue for flock rebuilding will be the retention of adult sheep from slaughter. In 2007-08, adult sheep slaughter is forecast to fall in response to an assumed improvement in seasonal conditions relative to 2006-07 and as producers seek to rebuild their flocks.

## sheep meat outlook

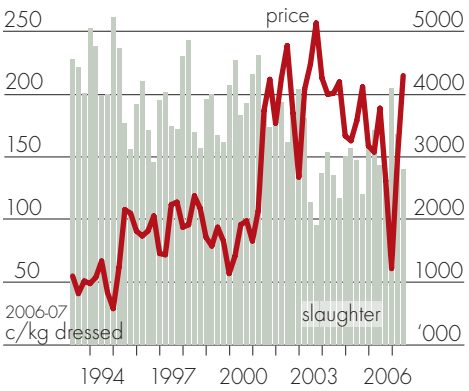
| | Unit | 2004 -05 | 2005 -06 | 2006 -07 f | 2007 -08 z | 2008 -09 z | 2009 -10 z | 2010 -11 z | 2011 -12 z |
|---|---|---|---|---|---|---|---|---|---|
| **Saleyard price for sheep** | | | | | | | | | |
| – nominal | Ac/kg | 166 | 172 | 145 | 170 | 180 | 170 | 160 | 150 |
| – real a | Ac/kg | 177 | 177 | 145 | 166 | 171 | 158 | 145 | 133 |
| **Saleyard price for lambs** | | | | | | | | | |
| – nominal | Ac/kg | 352 | 340 | 324 | 370 | 350 | 340 | 335 | 330 |
| – real a | Ac/kg | 374 | 351 | 324 | 361 | 333 | 316 | 303 | 292 |
| **Retail price for lamb** | | | | | | | | | |
| – nominal | Ac/kg | 1 170 | 1 216 | 1 192 | 1 290 | 1 300 | 1 310 | 1 320 | 1 330 |
| – real a | Ac/kg | 1 245 | 1 254 | 1 192 | 1 259 | 1 237 | 1 216 | 1 196 | 1 176 |
| **Sheep numbers b** | million | 101 | 100 | 94 | 94 | 96 | 98 | 100 | 103 |
| **Slaughterings** | | | | | | | | | |
| Sheep | '000 | 11 443 | 11 830 | 13 000 | 10 000 | 10 000 | 10 500 | 11 000 | 11 000 |
| Lamb | '000 | 17 331 | 18 666 | 19 000 | 18 800 | 19 100 | 19 300 | 19 500 | 19 700 |
| **Production c** | | | | | | | | | |
| Mutton | kt | 237 | 244 | 252 | 200 | 210 | 221 | 232 | 232 |
| Lamb | kt | 354 | 382 | 390 | 387 | 395 | 401 | 408 | 414 |
| **Consumption per person** | | | | | | | | | |
| Mutton | kg | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| Lamb | kg | 10.1 | 10.2 | 10.1 | 9.7 | 9.7 | 9.7 | 9.7 | 9.6 |
| **Exports** | | | | | | | | | |
| Mutton exports d | kt | 144 | 148 | 154 | 103 | 106 | 115 | 125 | 125 |
| Lamb exports d | kt | 128 | 146 | 157 | 160 | 164 | 167 | 172 | 177 |
| – to United States | kt | 36 | 41 | 44 | 46 | 48 | 49 | 51 | 53 |
| Lamb export value d | | | | | | | | | |
| – nominal | $m | 700 | 782 | 783 | 872 | 906 | 899 | 909 | 922 |
| – real a | $m | 746 | 806 | 783 | 851 | 863 | 835 | 823 | 815 |
| Live sheep exports | '000 | 3 233 | 4 248 | 3 800 | 3 700 | 4 000 | 4 100 | 4 150 | 4 200 |

**a** In 2006-07 Australian dollars. **b** At 30 June. **c** Carcass weight. d Fresh, chilled and frozen, shipped weight. **f** ABARE forecast. **z** ABARE projection.
*Sources:* Australian Bureau of Statistics; Department of Agriculture, Fisheries and Forestry; ABARE.

**Australian lamb slaughter**
quarterly, ended June 2007




**Australian sheep slaughter**
quarterly, ended June 2007




In the case of lambs, total slaughter is also estimated to rise in 2006-07, with many producers finishing lambs on failed crops. Looking ahead, the number of lambs marked in 2007-08 is forecast to fall because of lower ewe numbers coming out of the drought. As a result, the number of lambs slaughtered in 2007-08 is forecast to fall by 1 per cent to 18.8 million. With reduced supplies, saleyard prices for lambs in 2007-08 are forecast to rise by around 14 per cent to average 370 cents a kilogram.

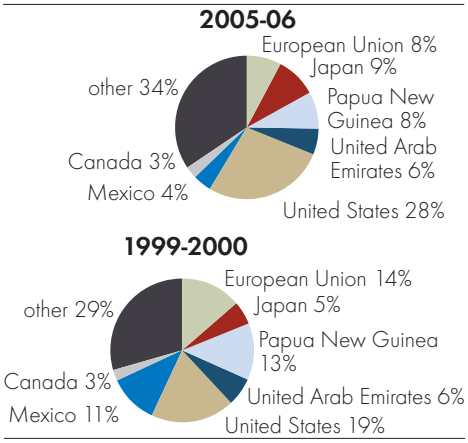
Continuing strong growth in demand in export markets means that lamb prices are expected to stay relatively attractive to producers over the projection period. Nevertheless, with prices of lambs projected to ease over the medium term there will be some incentive for movement of farm resources from cropping back into sheep and wool production. As sheep numbers gradually rise over the medium term, the number of lambs slaughtered is projected to increase to 19.7 million by 2011-12.

## lamb demand to remain strong

Following several years of strong growth in demand, Australian domestic demand for lamb is projected to remain firm over the medium term. However, growth in demand is likely to be constrained by higher lamb retail prices relative to prices for other meats.

In Australia's key export markets, US import demand for lamb is expected to continue to rise as consumption of sheep meat increases and US domestic production continues to decline. Also, shipments of New Zealand lamb to the United States are expected to rise only slightly over the next few years because of continuing strong demand for New Zealand lamb in the European Union. However, the extent to which these factors translate into further growth in Australia's lamb exports will be limited by the availability of supplies, with lamb production projected to rise modestly over the medium term.

**Australian lamb exports, by destination**



Strong demand for lamb in Japan – primarily associated with the introduction of a chain of restaurants featuring barbecued lamb on the menu – contributed to a 58 per cent increase in shipments of Australian lamb to Japan between 2004 and 2006. Demand for lamb in Japan has also been boosted by lower supplies and higher prices of beef and poultry. Over the next few years, however, the growth in Australian exports of lamb to Japan is expected to moderate.

Growth in consumer incomes and spending the Middle East has contributed to strong demand for lamb over the past year. Aided also by reduced supplies from New Zealand, shipments of Australian lamb to the Middle East rose in 2006-07. With higher prices and reduced Australian supplies over the coming year, shipments of Australian lamb to the Middle East are forecast to fall slightly in 2007-08.

### live sheep exports to decline

The number of live sheep exported is forecast to decline in 2006-07 due to reduced supplies and increased competition for suitable sheep from restockers as producers seek to rebuild flocks. Nevertheless, demand for live sheep exports to the Middle East remains strong because of ongoing increases in consumer incomes. Over the medium term, further growth in Australia's trade in live sheep is likely to be constrained by the availability of suitable sheep and strong competition from other supplying countries (such as South Africa).

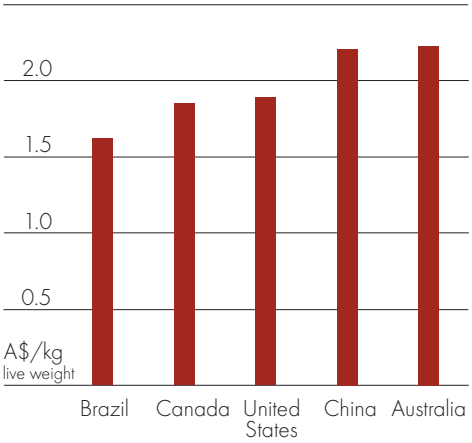
## pig meat

> frank drum and patrick lindsay

In 2006-07, Australian pig meat prices are forecast to increase by 14 per cent to average 265 cents a kilogram, reflecting lower Australian production and firm domestic demand. In the short term, high prices for substitute meats, such as beef and lamb, following the drought, are expected to underpin increased demand for pork, resulting in saleyard prices for pigs increasing 4 per cent in 2007-08 to average 275 cents per kilogram. In the second half of 2007-08, saleyard prices are expected to ease, in line with increased competition from beef and lamb, as supplies of these meats increase.

Over the outlook period to 2011-12, Australian pig meat saleyard prices are expected to fall in real terms, driven largely by increased imports from Denmark and Canada and declining real retail prices for substitute meats, particularly beef and lamb. In 2011-12, Australian pig meat saleyard prices are projected to average around 200 cents a kilogram (in 2006-07 dollars).

**pig meat production costs**




### feed costs

Feed inputs represent around 60 per cent of the total cost of pig meat production in Australia, and of this amount, feedgrain accounts for approximately 70 per cent. In 2006, a report by the Pork Co-operative Research Centre found that production costs in Australia were significantly higher than major competitors' costs, including Brazil, the United

States and Canada, driven largely by the comparatively higher feed grain costs experienced by pork producers in Australia.

Research programs are being developed in the Australian pig meat industry to reduce the high costs of production. However, Australia is unlikely to achieve similar cost advantages in feed and processing costs over the medium term compared with its major competitors. The preference for higher pork slaughter weights in Canada and the United States means that producers in these countries are able to obtain lower labour and feed costs per animal – with many of the slaughter processes requiring the same amount of labour regardless of animal size. As a result, the labour 'overhead' with smaller pigs is likely to be higher per unit of meat produced than with larger pigs.

Reflecting some easing in prices and the need to become more competitive in the market place, firms in the Australian pork industry can be expected to consolidate over the outlook period. The Australian sow herd is projected to decline to almost 280 000 by 2011-12, nearly 5 per cent below the estimated June 2007 figure. As a result, Australian pig meat production is projected to fall to 355 000 tonnes in 2011-12, around 5 per cent below that estimated for 2006-07.

## Australian pig meat imports higher

Australian imports of pig meat increased by 15 per cent year on year in the first six months of 2006-07, as the strengthening of the Australian dollar lowered the price of imported

### pig and poultry outlook – Australia

| | Unit | 2004 -05 | 2005 -06 | 2006 -07 f | 2007 -08 z | 2008 -09 z | 2009 -10 z | 2010 -11 z | 2011 -12 z |
|---|---|---|---|---|---|---|---|---|---|
| **Pig meat** | | | | | | | | | |
| Breeding sows **a** | '000 | 329 | 305 | 296 | 300 | 297 | 292 | 287 | 281 |
| Saleyard price | | | | | | | | | |
| – nominal | Ac/kg | 243 | 232 | 265 | 275 | 260 | 250 | 235 | 225 |
| – real **b** | Ac/kg | 259 | 239 | 265 | 268 | 247 | 232 | 213 | 199 |
| Slaughterings | '000 | 5 342 | 5 370 | 5 200 | 5 300 | 5 225 | 5 150 | 5 075 | 4 975 |
| Production | kt | 389 | 389 | 374 | 381 | 375 | 369 | 362 | 355 |
| Consumption per person | kg | 23.9 | 22.8 | 23.2 | 23.6 | 23.5 | 23.6 | 23.7 | 23.7 |
| Imports **c** | | | | | | | | | |
| – fresh | kt | 79.0 | 69.9 | 84.4 | 86.0 | 89.6 | 95.6 | 99.6 | 104.6 |
| – preserved | kt | 2.5 | 2.4 | 2.5 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| – total | kt | 81.5 | 72.3 | 86.9 | 88.4 | 92.0 | 98.0 | 102.0 | 107.0 |
| Exports **cd** | kt | 43.5 | 43.3 | 41.5 | 40.8 | 40.0 | 38.5 | 35.0 | 32.5 |
| Retail price | | | | | | | | | |
| – nominal | Ac/kg | 1 071 | 1 158 | 1 170 | 1 214 | 1 220 | 1 235 | 1 245 | 1 260 |
| – real **b** | Ac/kg | 1 140 | 1 194 | 1 170 | 1 184 | 1 161 | 1 147 | 1 128 | 1 114 |
| **Poultry meat** | | | | | | | | | |
| Production | kt | 792 | 817 | 842 | 847 | 861 | 878 | 892 | 907 |
| Consumption per person | kg | 37.8 | 38.5 | 38.9 | 39.1 | 39.3 | 39.6 | 39.8 | 39.9 |
| Exports | kt | 19.8 | 21.6 | 22.0 | 22.0 | 22.0 | 23.0 | 24.5 | 26.0 |
| Retail price | | | | | | | | | |
| – nominal | Ac/kg | 396 | 368 | 360 | 368 | 380 | 387 | 395 | 404 |
| – real **b** | Ac/kg | 422 | 380 | 360 | 359 | 362 | 359 | 357 | 357 |

**a** numbers at 30 June. **b** In 2006-07 Australian dollars. **c** Shipped weight. **d** Excludes preserved pig meat. **f** ABARE forecast. **z** ABARE projection.
*Sources:* Australian Bureau of Statistics; ABARE.

pork products. In 2007-08, imports are forecast to increase by a further 2 per cent, reflecting high domestic saleyard prices for pork and the relatively high Australian dollar. In addition, lower pig meat prices in major exporting countries like the United States and Canada will be conducive to a small rise in imports.

Despite an assumed depreciation of the Australian dollar over the medium term, the trend to higher imports is expected to continue, with imports of pig meat projected to reach 107 000 tonnes (shipped weight) in 2011-12, 23 per cent above forecast 2006-07 levels.

### Australian exports to decline

Australian pork exports are forecast to fall by 4 per cent in 2006-07 to 41 500 tonnes (shipped weight), as a result of a relatively strong Australian dollar against the US dollar and reduced Australian production. In 2007-08, this trend is expected to continue, with Australian pork exports forecast to fall slightly to 40 800 tonnes, as higher Australian pig meat prices and increased competition from the United States and Canada reduces export demand for the Australian product.

Over the medium term, demand for Australian pig meat exports is projected to fall, reflecting increased competition from lower priced pig meat from key exporting countries. By 2011-12, Australian pig meat exports are projected to fall to around 33 000 tonnes, 21 per cent below the estimated 2006-07 amount.

## poultry meat

> frank drum and patrick lindsay

Following a forecast production increase of 3 per cent to 842 000 tonnes in 2006-07, higher feed grain prices as a result of the drought are expected to restrict growth in Australian poultry meat production to only 5000 tonnes in 2007-08. Over the medium term, poultry production is projected to increase at a slower rate than over the past five years as a result of expected higher feedgrain prices in Australia. By 2011-12, Australian poultry meat production is projected to reach 907 000 tonnes, 8 per cent above forecast production in 2006-07.

Australian poultry meat consumption is forecast to increase only slightly to just over 39 kilograms per person in 2007-08, as relatively high prices of substitute meats aid the competitiveness of poultry. Over the medium term, consumption is projected to increase moderately to around 40 kilograms a person by 2011-12.

An assumed depreciation in the Australian dollar over the medium term is expected to aid an increase in Australian poultry meat exports. In 2011-12, poultry meat exports are projected to reach around 26 000 tonnes, 18 per cent above estimated 2006-07 levels.