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Report Highlights:

A recent return to more favorable weather conditions, after an extended drought, is expected to lead to a cattle herd-rebuilding phase. Cattle slaughter in 2005 is forecast to fall two percent and inventories are expected to rise slightly. Beef and pork production are forecast to decline in 2005, while exports are expected to fall and remain unchanged, respectively. Japan is expected to overtake the United States as Australia's largest export market for beef in 2004, with shipments to Japan reaching record levels in recent months. Beef exports to Japan are expected to continue rising in the absence of U.S. competition. Recent changed import conditions for pig meat will lead to imported from the United States for the first time.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
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SECTION ONE: SITUATION AND OUTLOOK

Executive Summary

A return to more normal weather conditions following one of the worst droughts in a century has greatly improved the outlook for Australia's livestock industries. Pasture conditions have improved markedly of late and, with a continuation of more normal weather conditions, should lead to significantly improved fodder reserves in CY 2005. Post anticipates that female slaughter rates will continue falling leading into 2005, as producers rebuild herds following the prolonged drought conditions and increased "turn-off" in 2002 into 2003.

Of concern, however, is the continuation of below average rainfall in key livestock producing areas, notably in the state of New South Wales. The lingering dryness in these important producing areas has maintained pressure on livestock numbers and placed upward pressure on feed-grain prices. This development is a major contributing factor behind Post's revisions in inventory and production projections for 2004.

Post forecasts a slight rise in the cattle inventory in CY 2005, bringing ending-year numbers to just below the level reached prior to the drought. Producers are withholding female cattle from slaughter in order to rebuild herds. Assuming more normal weather conditions continue, slaughter levels are expected to fall, which would lead to a corresponding decline in production and exports. Weather developments in the later part of 2004 will help dictate the size of the winter grain crop and fodder reserves for the upcoming summer season.

Japan is overtaking the United States as the largest destination for beef exports, on a volume basis. Preliminary year-to-date figures have exports to Japan up sharply, with record export figures recorded for the more recent months. Beef shipments to the United States are down, although not nearly as much as previously expected, while prices for U.S.-destined products have remained relatively firm. The detection of BSE in the United States and the subsequent closure of the Japanese and other markets to U.S. beef exports is mostly responsible for the changes in Australia's beef trade flows. Australia is expected to continue to ship record quantities of beef to Japan in the absence of U.S. competition.

The Australian pork industry is in the process of recovering from the disastrous conditions that beset the industry in 2003. Severe drought greatly restricted feed grain production and forced grain prices to record levels, decreasing producer returns. A stronger Australian dollar reduced export returns and boosted the competitiveness of imports in the domestic market.

Pig inventories are forecast to rise 11.5 percent in CY 2005. More normal weather conditions experienced of late are expected to allow producers to boost the size of their herds. Slaughter, however, is expected to fall, along with pork production. Pork exports are forecast unchanged in 2005, while imports are expected to rise to record levels. After peaking in early 2004, a recent weakening of the Australian dollar has provided a near-term boost to industry competitiveness. New quarantine import conditions are allowing additional countries, including the United States, to supply some pork products. Industry sources expect that total pork imports will unlikely rise appreciably, but that the current suppliers will face greater competition.

Australia's competitiveness in world agricultural markets and returns to domestic producers are heavily impacted by the value of the Australian dollar. The Australian dollar has appreciated markedly against the currencies of major trading partners, particularly the United States, over the past two years -- averaging US\$0.544 in 2002 and peaking at US\$0.80 in early 2004. Currently, the Australian dollar is valued at about US\$0.71.

SECTION TWO: STATISTICAL TABLES

PS&D - Animal Numbers, Cattle

Australia Animal Numbers, Cattle							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Total Cattle Beg. Stks	27215	27870	26660	26600	27195	26600	(1000 HEAD)
Dairy Cows Beg. Stks	2056	2056	2063	2063	0	2100	(1000 HEAD)
Beef Cows Beg. Stocks	12000	12000	12250	12250	0	12500	(1000 HEAD)
Production (Calf Crop)	9304	8698	9838	9404	0	9700	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL SUPPLY	36519	36568	36498	36004	27195	36300	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	774	689	800	586	0	600	(1000 HEAD)
TOTAL Exports	774	689	800	586	0	600	(1000 HEAD)
Cow Slaughter	3614	3952	3712	3800	0	3900	(1000 HEAD)
Calf Slaughter	1206	1146	900	800	0	700	(1000 HEAD)
Other Slaughter	4215	4131	3841	4168	0	4000	(1000 HEAD)
Total Slaughter	9035	9229	8453	8768	0	8600	(1000 HEAD)
Loss	50	50	50	50	0	50	(1000 HEAD)
Ending Inventories	26660	26600	27195	26600	0	27050	(1000 HEAD)
TOTAL DISTRIBUTION	36519	36568	36498	36004	0	36300	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

PS&D – Meat, Beef and Veal

Australia Meat, Beef and Veal							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Slaughter (Reference)	9035	9229	8453	8768	0	8600	(1000 HEAD)
Beginning Stocks	63	70	37	100	20	88	(1000 MT CWE)
Production	1954	2073	1950	2005	0	1965	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	7	1	5	1	0	1	(1000 MT CWE)
TOTAL Imports	7	1	5	1	0	1	(1000 MT CWE)
TOTAL SUPPLY	2024	2144	1992	2106	20	2054	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	1261	1283	1300	1218	0	1190	(1000 MT CWE)
TOTAL Exports	1261	1283	1300	1218	0	1190	(1000 MT CWE)
Human Dom. Consumption	726	761	672	800	0	800	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	726	761	672	800	0	800	(1000 MT CWE)
Ending Stocks	37	100	20	88	0	64	(1000 MT CWE)
TOTAL DISTRIBUTION	2024	2144	1992	2106	0	2054	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	541	541	541	541	0	541	(1000 MT CWE)

PS&D - Animal Numbers, Swine

Australia Animal Numbers, Swine							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
TOTAL Beginning Stocks	2940	2940	2940	2658	3157	2600	(1000 HEAD)
Sow Beginning Stocks	335	353	358	340	0	350	(1000 HEAD)
Production (Pig Crop)	5797	5413	5955	5200	0	5400	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL SUPPLY	8737	8353	8895	7858	3157	8000	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	2	2	2	2	0	2	(1000 HEAD)
TOTAL Exports	2	2	2	2	0	2	(1000 HEAD)
Sow Slaughter	0	0	0	0	0	0	(1000 HEAD)
OTHER SLAUGHTER	5795	5723	5736	5256	0	5098	(1000 HEAD)
Total Slaughter	5795	5723	5736	5256	0	5098	(1000 HEAD)
Loss	0	0	0	0	0	0	(1000 HEAD)
Ending Inventories	2940	2658	3157	2600	0	2900	(1000 HEAD)
TOTAL DISTRIBUTION	8737	8383	8895	7858	0	8000	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

PS&D - Meat, Swine

Australia Meat, Swine							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Slaughter (Reference)	5795	5723	5736	5256	0	5098	(1000 HEAD)
Beginning Stocks	10	10	11	12	9	13	(1000 MT CWE)
Production	427	420	423	403	0	390	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	67	66	65	75	0	80	(1000 MT CWE)
TOTAL Imports	67	66	65	75	0	80	(1000 MT CWE)
TOTAL SUPPLY	504	496	499	490	9	483	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	74	72	75	65	0	65	(1000 MT CWE)
TOTAL Exports	74	72	75	65	0	65	(1000 MT CWE)
Human Dom. Consumption	419	412	415	412	0	412	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	419	412	415	412	0	412	(1000 MT CWE)
Ending Stocks	11	12	9	13	0	6	(1000 MT CWE)
TOTAL DISTRIBUTION	504	496	499	490	0	483	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	0	10	10	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Imports, Animal Numbers, Cattle

Import Trade Matrix Animal Numbers, Cattle			
Time Period	Jan - Dec	Units:	Number
Imports for:	2002		2003
U.S.	39	U.S.	23
Others		Others	
Total for Others	0		0
Others not Listed	0		0
Grand Total	39		23

Exports, Animal Numbers, Cattle

Export Trade Matrix Animal Numbers, Cattle			
Time Period	Jan - Dec	Units:	Number
Exports for:	2002		2003
U.S.	6	U.S.	0
Others		Others	
Indonesia	429615	Indonesia	387160
Egypt	145015	Philippines	96016
Philippines	113163	Malaysia	87955
Malaysia	91211	China	44138
Saudi Arabia	54277	Israel	43213
Israel	47777	Jordan	23065
Brunei Darussalam	22410	Japan	22034
Mexico	17706	Brunei Darussalam	19796
Japan	14028	Saudi Arabia	15969
China	9372	Egypt	7583
Total for Others	944574		746929
Others not Listed	27300		27319
Grand Total	971880		774248

Imports, Meat, Beef and Veal

Import Trade Matrix Meat, Beef and Veal			
Time Period	Jan - Dec	Units:	MT
Imports for:	2002		2003
U.S.	131	U.S.	13
Others		Others	
New Zealand	752	New Zealand	1912
Total for Others	752		1912
Others not Listed	0		0
Grand Total	883		1925

Exports, Meat, Beef and Veal

Export Trade Matrix Meat, Beef and Veal			
Time Period	Jan - Dec	Units:	MT
Exports for:	2002		2003
U.S.	387251	U.S.	374624
Others		Others	
Japan	238654	Japan	280190
Korea South	84867	Korea South	67606
Canada	82449	Taiwan	31657
Taiwan	34476	Canada	30098
Indonesia	19457	Indonesia	16952
Philippines	14760	Philippines	10202
Malaysia	11079	Malaysia	9690
New Zealand	9869	Mexico	5109
Mexico	6233	New Zealand	4716
Puerto Rico (U.S.)	6214	United Kingdom	4409
Total for Others	508058		460629
Others not Listed	55505		37655
Grand Total	950814		872908

Exports, Animal Numbers, Swine

Export Trade Matrix Animal Numbers, Swine			
Time Period	Jan - Dec	Units:	Number
Exports for:	2002		2003
U.S.	0	U.S.	1350
Others		Others	
Indonesia	12918	Malaysia	220
Philippines	894	Saudi Arabia	124
Vietnam	58	Vietnam	44
Japan	46	Indonesia	33
Papua New Guinea	23		
Total for Others	13939		421
Others not Listed	0		0
Grand Total	13939		1771

Imports, Meat, Swine

Import Trade Matrix Meat, Swine			
Time Period	Jan - Dec	Units:	MT
Imports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Canada	27503	Canada	32399
Denmark	16006	Denmark	20394
Total for Others	43509		52793
Others not Listed	0		0
Grand Total	43509		52793

Exports, Meat, Swine

Export Trade Matrix Meat, Swine			
Time Period	Jan - Dec	Units:	MT
Exports for:	2002		2003
U.S.	18	U.S.	33
Others		Others	
Singapore	30141	Singapore	26874
Japan	14941	Japan	12537
New Zealand	6588	New Zealand	9250
Korea South	2585	Philippines	2826
Philippines	2237	Taiwan	1630
China	931	Korea South	1402
Hong Kong	693	Hong Kong	917
South Africa	680	South Africa	543
Taiwan	574	China	315
Russia	528	Germany	252
Total for Others	59898		56546
Others not Listed	1905		1421
Grand Total	61821		58000

SECTION THREE: NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

CATTLE

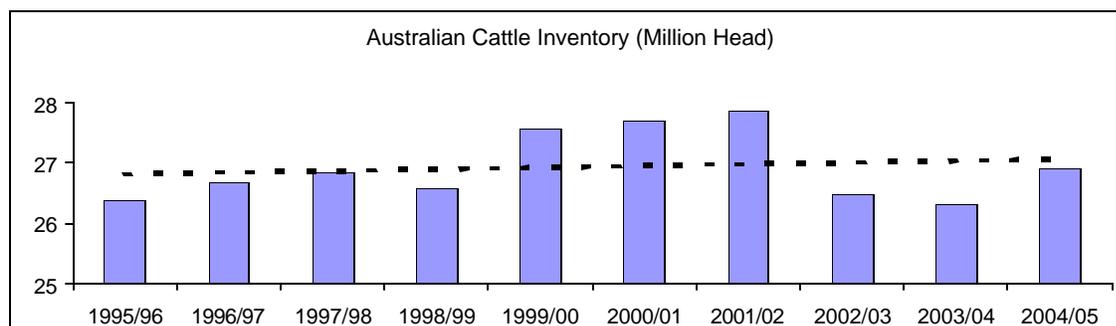
Inventory

Australia's cattle inventory is expected to rise in calendar year (CY) 2005, with closing cattle numbers forecast at 27.1 million head, up nearly two percent from the revised figure for the previous year. Strong beef demand (record high cattle prices) and improved pasture conditions are expected to result in the retention of cattle from slaughter for breeding purposes. Despite a rise in inventory, cattle numbers are expected to remain below the record of 27.9 million head achieved prior to the drought. Post assumes that a return to more normal weather conditions experienced thus far in 2004 will continue through 2005.

Post has revised the closing inventory for CY 2004 to 26.6 million head, well below the previous forecast of 27.8 million (see GAIN Report #AS4003). Lingering drought in key beef production areas has maintained high slaughter levels and constrained a build-up of inventories.

Closing inventory for CY 2003 has been revised downwards to 26.6 million head, in-line with recently published official Australian Bureau of Statistics (ABS) data.

The data in the graph below and other graphs contained in this report is derived from historic figures published by the Australian Bureau of Agricultural and Resource Economics (ABARE). ABARE traditionally uses a July-June year to report livestock figures.



Source: ABARE (July-June)

Cattle on Feed

The Australian lot-feeding sector accounts for about one third of total cattle slaughtered, although this proportion has been growing rather steadily over the past decade. Typically, grain-fed cattle are destined for Japan, Korea and to the premium end of the domestic market, with most other markets supplied by grass-fed cattle.

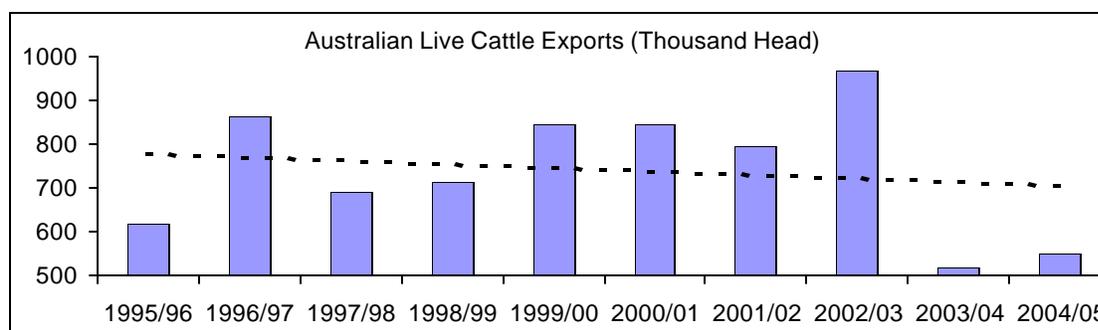
Feedlot capacity for CY 2004 is reported to have remained unchanged at around 900,000 head. The most recent industry figures (April-June 2004 quarter) indicate 711,000 head of cattle on feed, equating to around 79 percent utilization. This quarterly cattle on feed figure represents a seven percent increase from the previous quarter and also a seven percent rise from the year-earlier quarter. Industry data for the April-June 2004 quarter also indicate that 56 percent of all cattle on feed are now destined for Japan, compared with 54 percent for the previous quarter and 43 percent for same quarter in the previous year.

Increases in both cattle on-feed and the proportion of cattle on-feed destined for export to Japan indicate that the historically high monthly beef export figures to Japan in 2004 are likely sustainable into 2005.

Live Exports

Live cattle exports in CY 2005 are forecast at 600,000 head, slightly higher than the previous year. This figure remains well below the ten-year average, according to historical data published by ABARE. A return to more normal weather conditions in Queensland, historically high cattle prices and a building of domestic cattle inventories are expected to constrain live cattle exports.

Live cattle exports are projected to fall 15 percent in CY 2004 to 586,000 head, in-line with industry year-to-date figures. Official ABS figures show a large decline in the first quarter of 2004. A lack of cattle suitable for export, together with the stronger Australian dollar, has constrained the export trade.



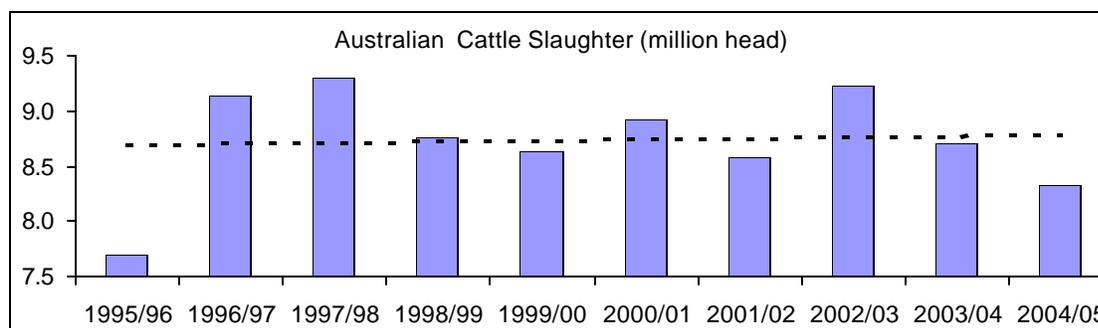
Source: ABARE (July-June)

Slaughter

Cattle slaughter is forecast to fall to 8.6 million head in CY 2005 and would represent the lowest slaughter level since 1995/96, according to ABARE's historical data. A return to more normal weather conditions, together with historically high prices, is likely to see cattle held back from slaughter in 2005 as producers rebuild breeding herds.

Post has revised projected cattle slaughter in CY 2004 upwards to just under 8.8 million, well below the previous year's near record level, but well above the previous forecast. Both ABS (January-March quarter) and Meat and Livestock Australia (January-June) data indicate a significant drop in slaughter in the first part of 2004, compared to the same periods in 2003. The continuation of the drought into early 2004 in some areas maintained slaughter rates at relatively high levels, exceeding Post's previous expectations. The higher than expected slaughter level has constrained the previously expected growth in closing inventory in 2004.

Post has revised cattle slaughter for CY 2003 upwards to 9.2 million head, in-line with official ABS figures.



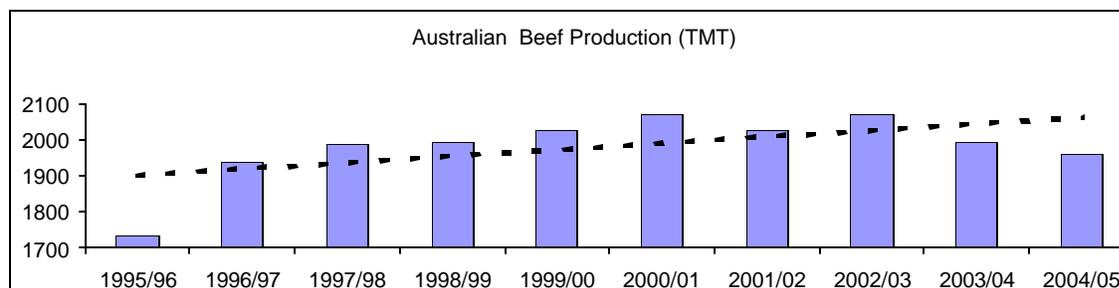
Source: ABARE (July-June)

Production

Total beef and veal production in CY 2005 is forecast at 1,965 TMT, down slightly from the previous year and in-line with the expected decline in cattle slaughter. According to ABARE's historical data, this production level would represent the lowest output since 1998/99 and reflects a return to the herd-rebuilding phase that characterized the period prior to the start of the drought.

Average carcass weights are not anticipated to change significantly from 2004 to 2005, as improved conditions and fatter cattle in 2005 are likely to be offset by reduced culling of older and larger animals.

Beef and veal production in CY 2004 is revised upward to 2,005 TMT, in-line with the higher expected year-to-date slaughter levels. Production in 2003 has also been revised upwards to 2,073 TMT, in-line with official ABS figures.



Source: ABARE (July-June)

Trade

Total beef and veal exports in CY 2005 are forecast at 1,190 TMT carcass weight equivalent (CWE), down slightly from the previous year, due mostly to the reduced slaughter level. This forecast roughly equates to around 810,000 MT on a shipped-weight basis, using a conversion factor of 1.47. This would place 2005 exports at the lowest level since 1997/98, according to historical ABARE figures. The export projection for 2004 remains largely unchanged, while the estimate for 2003 has been revised upwards slightly, in-line with official ABS statistics.

Exports of beef to Japan have reached record levels and the export pace to the United States has slowed since the detection of BSE in the United States. ABS statistics show a 33 percent rise in exports to Japan during the first five months of CY 2004, versus the year-earlier period. According to data from the Department of Agriculture, Fisheries and Forestry

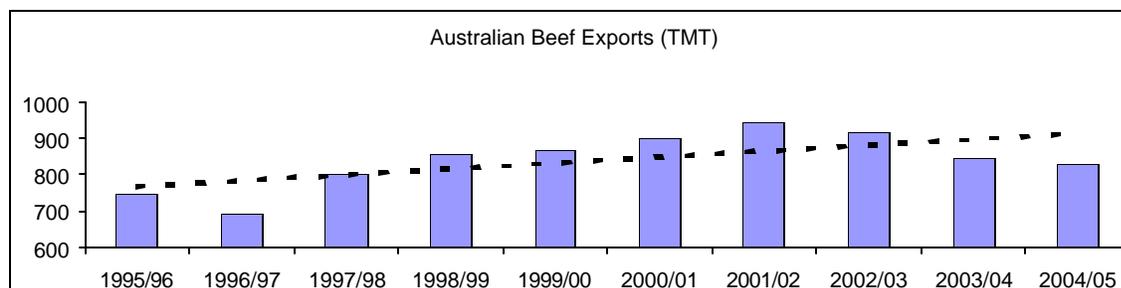
(DAFF), Australia's beef exports to Japan for the January-July 2004 period are up 29 percent over the same period a year earlier. Indeed, monthly exports to Japan are now exceeding shipments to the United States, the leading export market in recent years.

The exclusion of U.S. beef from the Japanese market, together with historically high slaughter rates in Australia, is expected to make Japan Australia's top export market in 2004. If exports to Japan continue at the same pace for the rest of 2004 as they did during the first seven months of the year, full-year 2004 exports to Japan will rise to a record 360,000 MT, eclipsing the previous record of 325,700 MT achieved in 2000. Japan was Australia's second largest export market in 2003, taking a total of 280,000 MT of beef on a shipped-weight basis.

Australia's beef exports to Japan are expected to rise further in 2005, assuming an absence of U.S. competition in major Asian markets. Australian beef traders have reacted well to the major disruptions in their major export markets brought on by the BSE case in the United States. Post expects that the ability (and capacity) of Australia to supply additional quantities of beef to the key Japanese market will continue to rise as long as the U.S. remains on the sidelines.

The United States has been Australia's largest beef export market in recent years, receiving approximately 375,000 MT of product on a calendar year basis (Australia is permitted low-tariff access to the United States for 378,214 MT of beef under the current U.S. tariff rate quota system). With the detection of BSE in the United States in December 2003, Australia's U.S.-destined beef exports have fallen by only four percent according to DAFF data (January-July 2004). Assuming a continuation of the export pace year-to-date, Australia is unlikely to fill the annual U.S. quota allocation in 2004. Earlier expectations that Australia's U.S. beef shipments would fall sharply have not materialized. Indeed, Australian exporters continue to receive quite competitive prices in the U.S. market. A recent drop in the Australian dollar has also helped to constrain any substantial decline in returns from the important U.S. market.

Exports of beef to Canada, which had become a significant market for Australian beef, have slowed markedly 2004. Exports to Canada during the first five months of 2004 were less than 3,000 MT, versus about 30,000 MT shipped in 2003 and record exports of about 50,000 MT in 2001. DAFF figures put exports of beef to Canada at just 276 MT for the month of July 2004. The resumption of South American beef shipments to Canada and the impact of BSE outbreaks in Canada and the United States are the major contributing factors to this slump in Australian exports to Canada.



Source: ABARE (July-June)

Marketing

Meat & Livestock Australia Limited (MLA) is a producer-owned company that provides services to the red meat (beef, mutton/lamb, goat) industry, including producers, processors, exporters, live animal exporters and retailers. MLA conducts market research, market promotion and trade support activities domestically and in major foreign markets.

MLA is primarily funded by a transaction levy paid by producers on livestock sales. These funds are supplemented by cooperative contributions from individual processors, wholesalers, food service operators and retailers. Processors and live animal exporters pay levies voluntarily to MLA. The Australian government also provides dollar-for-dollar matching funds for certain R&D activities.

A "Livestock Transaction Levy" is collected on the sale of livestock (cattle, sheep and goats) and the transfer of livestock between the production and processing stages. The Federal Government establishes the levy rates, which are currently set at A\$3.50 per head for cattle and A\$0.90 for calves. Animal Health Australia (AAHC), Australian National Residue Survey (NRS), and MLA are recipients of the funds generated by the levy.

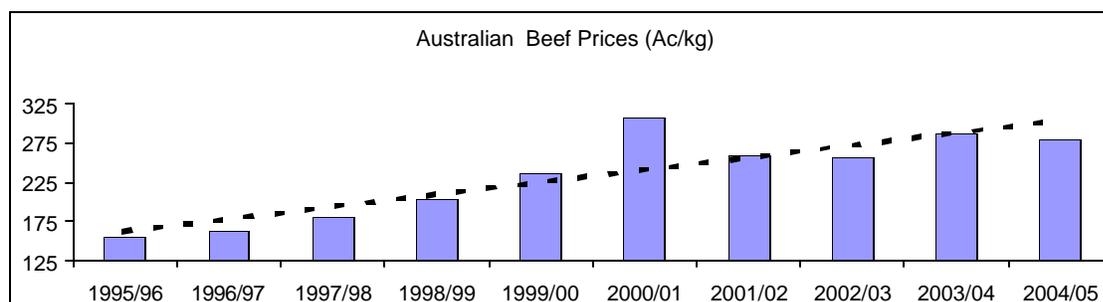
Consumption

Domestic beef consumption in CY 2005 is forecast at 800,000 MT (CWE). This is considered an historically high level and suggests that the long-term decline in beef consumption has been at least temporarily constrained, if not arrested. Strong economic growth and consumer confidence levels have also underpinned domestic demand.

Beef consumption in CY 2004 is estimated at 800,000 MT, up significantly on post's previous estimate. A stronger Australian dollar has increased the competitiveness of the domestic market relative to export markets. Official ABS statistics for consumption are no longer available. Historic ABARE data has current retail prices for beef just under record levels.

Prices

Cattle prices are expected to be slightly lower in 2004/05 (July-June) compared to the year-earlier period, according to recent ABARE forecasts. A stronger Australian dollar and the detection of BSE in the United States have not constrained Australian cattle prices, which are currently at historically high levels. Indeed, during July 2004 some cattle producers have achieved record prices for certain types of cattle, particularly feeder cattle for the Japanese trade. The return to normal weather conditions in 2004 and attempts to rebuild herds, combined with strong export demand, are the major drivers behind the strong domestic prices.



Source: ABARE (July-June)

Policy

FTA and Beef: The Australia-U.S. Free Trade Agreement (FTA) is very topical in Australia, as the Australian Parliament has just recently passed legislation required to implement the agreement. Concerns over the impact the FTA may have on Australian industries and on government policies has been hotly debated.

Under the provisions of the FTA, Australia would gain improved access to the U.S. beef market and, after a phase-in period, would gain duty and quota-free access for all shipments. Under the FTA, Australia would receive an additional quota allocation for manufacturing beef, once U.S. beef exports return to their 2003 (pre-BSE) levels, or three years after implementation of the agreement, whichever occurs first. The U.S. "above-quota" tariff on Australian beef would be phased out over an 18-year period. After the transition period, a price-based safeguard would be available, designed to be sensitive to market disruptions in the high-quality U.S. beef market. Representing 40-45 percent (by value) of all Australian agricultural exports to the United States, improved access to the U.S. market was a primary goal for Australian trade officials in the FTA negotiations.

Under the FTA, the United States will have immediate duty-free access to Australia for beef and beef products, as well as all other agricultural products. U.S. beef exports to Australia are temporarily banned due to the BSE case in the United States.

Other FTA's

Australia has recently completed FTA's with Singapore and Thailand (in addition to the "Closer Economic Relations" agreement with New Zealand.) Additional FTA's are being explored with China, Malaysia, the Association of South East Asian Nations, Japan, South Korea, amongst others.

Livestock Production Assurance Scheme

The Livestock Production Assurance (LPA) scheme commenced on March 1. This scheme aims to provide a comprehensive quality assurance system for all cattle, sheep and goat transactions and movements within Australia. The new scheme is designed to compliment some existing livestock control systems and replace some others.

Existing vendor declarations required for the sale and transportation of livestock have also been upgraded under this scheme. The new declaration now requires the owner, manager, transporter and agent to complete a statement prior to sale or movement of livestock. This statement provides the buyer with information pertaining to on farm quality assurance, treatment with hormone growth promotants (HGP), feeding of bi-products and participation in residue programs.

The LPA scheme aims to improve food safety for consumers by better accounting for producer management practices. Declarations on the sale and movement of livestock are subject to audit, according to industry sources.

National Livestock Identification Scheme

The national livestock identification scheme is an industry/government initiative which uses a centralized database and permanent animal identification to track cattle from birth to slaughter at an individual level. This scheme aims to provide accurate trace back for disease and residues. It also aims to provide performance feedback for industry participants. The

NLIS scheme is already mandatory in the state of Victoria, and is on track for introduction into other states by July 1, 2005. (See GAIN Report #AS3026 for further details)

BSE in the United States

The Australian government has maintained a temporary suspension of beef imports from the United States since December 2003. The resumption of this trade has been discussed bilaterally and Australian officials continue to monitor the situation.

The quantity of U.S. exports disrupted by the suspension has been minimal. The United States has traditionally supplied Australia with only minimal quantities of specialty beef cuts for the high-end restaurant trade. The impact has been more substantial, however, in terms of the trade in genetic material, including live cattle. Australian cattle breeders have traditionally sourced much of their genetic material from the United States.

SWINE

The Australian pig meat industry has been under considerable pressure since import competition began in the late 1990's. Canadian and Danish imports now provide significant competition for local producers. Together with fluctuating feed-grain supplies and currency values, the Australian industry has tended to suffer from a "boom-bust" cycle over the last ten years. The bright spots have been the development of a viable export industry and relatively healthy growth in domestic consumption.

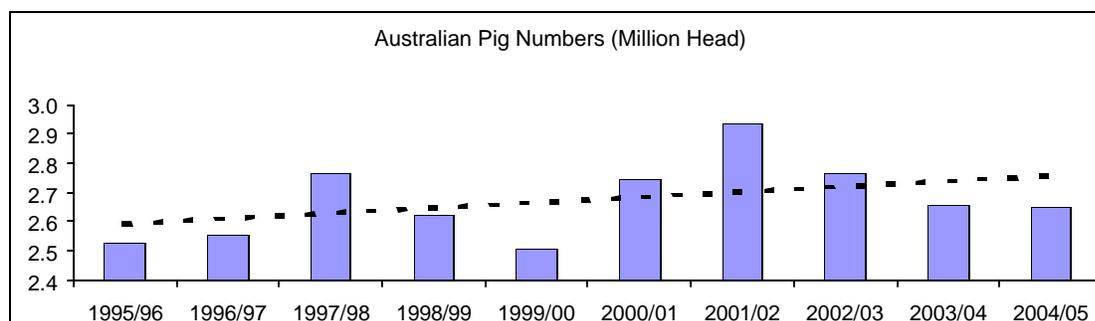
More recent times have seen a stronger Australian dollar reducing the competitiveness of exports and increasing the competitiveness of imports. This has placed the domestic market under considerable pressure, with pork prices in 2003 falling to the lowest level since 1997/98. Despite improved feed grain supplies in 2004, the approval of pig meat imports from an additional set of countries (including the United States) is likely to maintain pressure on domestic pork prices for the foreseeable future.

Inventory

Closing inventory is forecast to rise to 2.9 million head in CY 2005. This represents a significant increase on the revised estimated of 2.6 million head for the previous year. Lower slaughter levels associated with the anticipated expansion of the pig herd are driving the expected inventory increase.

Expected closing inventory for CY 2004 has been revised downward to 2.6 million head. Historically high year-to-date slaughter levels thus far in 2004, following the record high slaughter level in 2003, is expected to result in the lowest closing inventory figure since 2000. The lower than expected inventory level is attributed to record-high grain prices towards the end of 2003, brought-on by the extreme drought conditions.

Closing inventory in CY 2003 has been revised downwards to just under 2.7 million head, in-line with official ABS figures and well under Post's previous estimate of 2.9 million head.



Source: ABARE (July-June)

Slaughter

Total pig slaughter is forecast to decline to 5.1 million head in CY 2005, three percent lower than the previous year. An anticipated increase in the availability of feed grain, and lower grain prices, is likely to see some stock withheld from slaughter. A higher level of female stock will likely be withheld from slaughter for breeding purposes in order to provide animals for the expected rebuilding phase.

Estimated slaughter for CY 2004 has been revised downward to just under 5.3 million head. Official ABS data for the first quarter of 2004 shows a significant decline in slaughter. Improved feed grain availability in 2004, following a record grain harvest, has helped to improve the outlook for the pig industry from the rather dismal conditions in 2003.

Post has revised the CY 2003 slaughter number downward from 5.8 to 5.7 million head, in-line with official ABS statistics. Despite this downward revision, shortages of feed grain brought-on by the drought pushed slaughter to a record level.



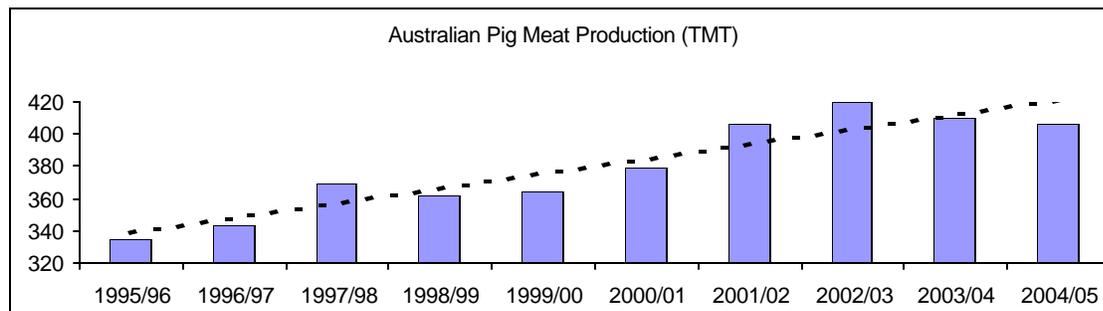
Source: ABARE (July-June)

Production

Total pig meat production for CY 2005 is forecast at 390,000 MT, down from the revised estimate of 403,000 MT for the previous year. This reduction in forecasted production is directly in-line with the forecast decrease in slaughter, with derived average carcass weight remaining largely unchanged.

Estimated production for CY 2004 has been revised downwards to 403,000 MT, in-line with the downward revision in projected slaughter. Post has revised the production number for 2003 downward slightly to 420,000 MT, which is now in-line with official ABS statistics. The

record slaughter level in 2003 pushed production to a record level, constrained only by a drop in carcass weights.



Source: ABARE (July-June)

Trade

Exports

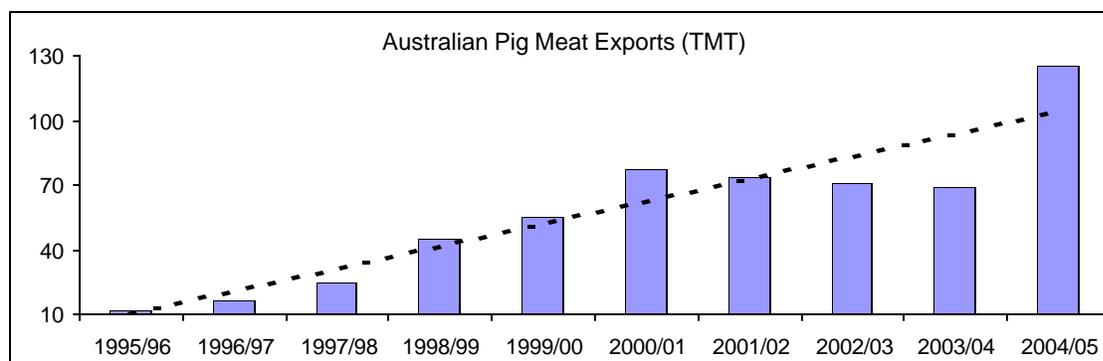
Total pig meat exports in CY 2005 are forecast at 65,000 MT (CWE), unchanged on the revised estimate for the previous year. Post uses a conversion factor of 1.25 to convert shipped weight data to carcass weight equivalent (CWE). The lower expected production in 2005 is expected to greatly reduce the availability of pig meat suitable for export. The bulk of Australia's pork exports are fresh product destined for nearby Asian markets.

The projected export of pig meat in CY 2004 has been revised downwards to 65,000 MT, about 10 percent lower than the previous year. Official ABS statistics for the first quarter of 2004 show a 26-percent drop in exports compared to the same quarter in the previous year. Industry figures have exports for 2004 year-to-date (Jan-Jun) down 17 percent.

Lower slaughter levels due to improved production conditions have significantly lowered the availability of pig meat available for export. Post anticipates that exports will improve somewhat throughout the remainder of 2004 and so has full-year exports falling by only about 10 percent.

Pig meat exports for CY 2003 have been revised downwards to 72,000 MT, in-line with official ABS statistics.

ABARE has exports for 2004/05 at record levels. However, improved feed grain availability and an improved outlook for the Australian pig industry should see stock withheld from slaughter, making a dramatic increase in exports unlikely. Furthermore, year-to-date statistics show exports trending downwards thus far in 2004, making record exports in 2004/05 unlikely.



Source: ABARE (July-June)

Imports

Total imports for CY 2005 are forecast at a record 80,000 MT, up significantly from the revised ABS figure of 75,000 MT in 2003. The Australian dollar remaining at historically high levels (despite easing recently) combined with lower domestic production should see imports grow in CY 2005.

Pig meat imports for CY 2004 are estimated at 75,000 MT (CWE), up significantly on post's previous estimate. The 2004 import projection is in-line with year-to-date industry data.

Until recently, only three countries were approved to ship commercial quantities of pig meat to Australia – Canada, Denmark and New Zealand. According to official ABS statistics, Australia imported a total of 52,800 MT of pig meat (shipped weight) in CY 2003, of which Canada supplied 32,000 MT and Denmark supplied about 20,400 MT, with only minor quantities imported from New Zealand.

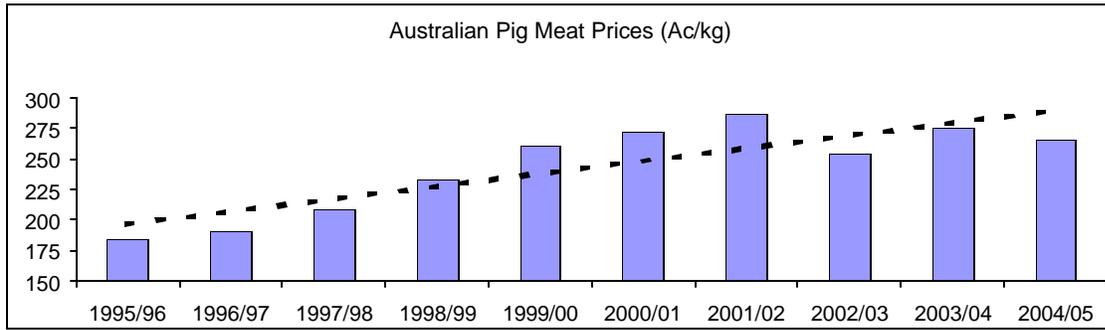
On May 10, 2004, the Australian Government announced new import conditions for pig meat, including additional countries that can supply pork products. Australian Pork Limited (APL), the peak body representing the pork industry, actively sought to overturn the decision and, when unsuccessful in the appeals process, filed a court case challenging the decision. Of particular concern to APL is Post Weaning Multi-Systemic Wasting Syndrome (PMWS). Reportedly, APL is seeking that the court review the government's actions to ensure that the import protocols developed in the Import Risk Assessment will limit the level of risk for PMWS to an acceptably low level. APL has also indicated that, in this case, quarantine conditions were not developed through a science-based process. Reports indicate that a "Directions Hearing" of APL's application filed in the Federal Court in Sydney was held on August 10, 2004. (See GAIN Report #AS4022 for further information on this issue.)

Although the United States is expected to gain a foothold in the Australian market, industry sources expect that market shares will be adjusted, but that total imports are unlikely to rise appreciably.

Prices

Australian pig meat prices have been trending upwards for the past decade, according to ABARE's historical figures. However, higher production costs in 2003, brought on by a feed grain shortage and a strengthening in the Australian dollar combined to lower export returns, while imports were very competitively priced. This set of conditions has created considerable pressure on the local industry. The industry reacted by opposing the government's actions to

open the domestic market for additional suppliers, and by attempting to get the government to provide funds for specific restructuring assistance.



Source: ABARE (July-June)