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Report Highlights:
Beef exports for CY 2007 are forecast at a record 1,495 TMT. The forecast for record high exports is underpinned by historically high production and slaughter due to extreme drought conditions. The outlook for pasture conditions is described as "difficult" in the short term, with significant improvements not expected until the second half of CY 2007. Despite prolonged drought conditions, prices have remained high, keeping cattle numbers at historically high levels. Near record cattle-on-feed numbers indicate strong exports to Australia's two primary grain fed markets, Japan and Korea. Exports of beef to Japan remained fairly steady in 2006; exports to Korea increased 20 percent and now represent 16 percent of total Australian beef exports.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Canberra [AS1]
[AS]

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SECTION ONE: SITUATION AND OUTLOOK

Summary

Since Post's last report, severe drought conditions have persisted and in some key regions of southern Australia have worsened. South Eastern Australia, principally NSW and Victoria have generally experienced the worst of conditions and according to reports, are now experiencing their lowest rainfall conditions for 115 years.

Parts of Northern Australia such as Queensland and the Northern Territory have experienced heavy rainfall, as well as coastal areas in NSW and Victoria, but remain well below optimal levels for production. Key regions in southeast Queensland and Northern NSW have also experienced heavy rainfall.

For the purpose of writing this report, post has assumed a return to more normal weather conditions in the second quarter of CY 2007 followed by a
return to more normal pasture conditions in the second half of CY 2007.

A return to more normal climatic conditions is unlikely to greatly improve livestock production conditions until the second quarter of CY 2007. Southern Australia will not enter its window for pasture production until April. Even an immediate break in conditions would not likely see significantly improved pasture conditions prior to April unless above average rainfall were received.

Livestock prices have remained relatively strong considering the extreme drought conditions recently experienced and this has maintained a degree of commercial optimism among industry sources outside the farm sector. Structural changes over the past two decades, such as domestic grain market deregulation; high levels of investment in lot feeding and processing; and on farm advances in genetics, fodder management, and marketing have largely resulted in avoiding the market "crash" type situations of previous droughts. Some livestock markets have not however avoided sharp price decline and the "store sheep" market is an example of this.

The outlook for pasture conditions is described as "difficult" in the short term, with significant improvements not expected until the second half of CY 2007. Slaughter figures are expected to remain relatively high in the first half of CY 2007 before falling significantly in the second half. Production in the first half is expected to stay at the high levels experienced toward the end of CY 2006 and exports are likely to follow the same trend.

Drought conditions experienced in recent times has seen grain production, particularly winter cereals, fall to historically low levels. Conversely, Post has forecast consumption of grain to increase significantly. This increase has been principally driven by increased feed grain demand, particularly from intensive activities such as feedlot beef. As pasture conditions have deteriorated, more cattle have been finished in feedlots. Lower production and higher consumption will likely place pressure on consumers of feed grain to find new sources of feedstuff. The feeding of by-products, such as DDG, which is not yet common in Australian intensive feeding sector, is increasing in significance.

SECTION TWO: STATISTICAL TABLES

PSD Table Animal Numbers, Cattle										
	2005	Revised		2006	Estimate		2007	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		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	*MM/YYYY*
Total Cattle Beg. Stks	27270	27270	27270	27782	28100	27782	28600	29400	28560	*(1000 HEAD)*
Dairy Cows Beg. Stocks	2041	2041	2041	2050	2050	2050	2060	0	2060	*(1000 HEAD)*
Beef Cows Beg. Stocks	12570	12570	12570	13021	13021	13021	13100	0	12750	*(1000 HEAD)*
Production (Calf Crop)	9643	10129	9643	10243	10250	10277	10490	0	10030	*(1000 HEAD)*
Intra-EU Imports	0	0	0	0	0	0	0	0	0	*(1000 HEAD)*
Other Imports	0	0	0	0	0	0	0	0	0	*(1000 HEAD)*
Total Imports	0	0	0	0	0	0	0	0	0	*(1000 HEAD)*
Total Supply	36913	37399	36913	38025	38350	38059	39090	29400	38590	*(1000 HEAD)*
Intra EU Exports	0	0	0	0	0	0	0	0	0	*(1000 HEAD)*
Other Exports	573	580	573	585	550	630	640	0	640	*(1000 HEAD)*
Total Exports	573	580	573	585	550	630	640	0	640	*(1000 HEAD)*
Cow Slaughter	3700	3700	3700	3700	3700	3746	3700	0	3700	*(1000 HEAD)*
Calf Slaughter	823	890	823	890	870	873	955	0	955	*(1000 HEAD)*
Other Slaughter	3985	4019	3985	4200	3780	4200	4745	0	4745	*(1000 HEAD)*
Total Slaughter	8508	8609	8508	8790	8350	8819	9400	0	9400	*(1000 HEAD)*
Loss	50	50	50	50	50	50	50	0	50	*(1000 HEAD)*
Ending Inventories	27782	28100	27782	28600	29400	28560	29000	0	28500	*(1000 HEAD)*
Total Distribution	36913	37339	36913	38025	38350	38059	39090	0	38590	*(1000 HEAD)*
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	*(1000 HEAD)*
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	*(1000 HEAD)*
Balance	0	-60	0	0	0	0	0	-29400	0	*(1000 HEAD)*
Inventory Balance	512	830	512	818	1300	778	400	-29400	-60	*(1000 HEAD)*
Inventory Change	2	0	2	2	3	2	3	5	3	*(PERCENT)*
Cow Change	2	0	2	3	3	3	1	-100	-2	*(PERCENT)*
Production Change	-3	0	-3	6	1	7	2	-100	-2	*(PERCENT)*
Production to Cows	66	69	66	68	68	68	69	0	68	*(PERCENT)*
Trade Balance	573	580	573	585	550	630	640	0	640	*(1000 HEAD)*
Slaughter to Inventory	31	32	31	32	30	32	33	0	33	*(PERCENT)*

PSD Table
Meat, Beef and Veal

	2005	Revised		2006	Estimate		2007	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		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Slaughter (Reference)	8508	8609	8508	8790	8350	8819	9400	0	9400	(1000 HEAD)
Beginning Stocks	50	50	50	16	25	16	18	23	31	(1000 MT CWE)
Production	2102	2150	2102	2150	2110	2183	2290	0	2290	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	12	8	12	12	8	12	12	0	12	(1000 MT CWE)
Total Imports	12	8	12	12	8	12	12	0	12	(1000 MT CWE)
Total Supply	2164	2208	2164	2178	2143	2211	2320	23	2333	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	1413	1433	1413	1420	1370	1425	1495	0	1495	(1000 MT CWE)
Total Exports	1413	1433	1413	1420	1370	1425	1495	0	1495	(1000 MT CWE)
Human Dom. Consumption	735	750	735	740	750	755	755	0	765	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	735	750	735	740	750	755	755	0	765	(1000 MT CWE)
Ending Stocks	16	25	16	18	23	31	70	0	73	(1000 MT CWE)
Total Distribution	2164	2208	2164	2178	2143	2211	2320	0	2333	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
CY. Exp. to U.S.	463	500	463	472	472	472	490	0	490	(1000 MT CWE)
Balance	0	0	0	0	0	0	0	-23	0	(1000 MT CWE)
Inventory Balance	-34	-25	-34	2	-2	15	52	-23	42	(1000 MT CWE)
Weights	247	250	247	245	253	248	244	0	244	(1000 MT CWE)
Production Change	1	0	1	2	-2	4	7	-100	5	(PERCENT)
Import Change	20	0	20	0	0	0	0	-100	0	(PERCENT)
Export Change	1	0	1	0	-4	1	5	-100	5	(PERCENT)
Trade Balance	1401	1425	1401	1408	1362	1413	1483	0	1483	(1000 MT CWE)
Consumption Change	-2	0	-2	1	0	3	2	-100	1	(PERCENT)

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

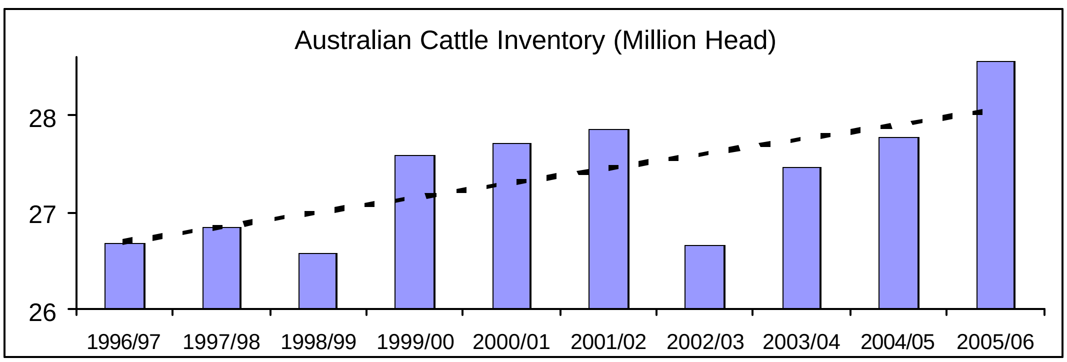
CATTLE

Inventory

Total cattle inventory for CY 2007 is forecast to close slightly lower at 28.5 million head, down nearly two percent on the 29.0 M head previously forecast by post. A forecast of 28.5 million head is considered historically high with historic data showing the ten-year average inventory to be 27.4 million head.

Persistent and severe drought conditions since post's last report has seen the closing inventory forecast to be revised downward. Post has also revised breeding cow numbers downward as well as calf crop numbers. Lower forecast calf crop numbers, also a result of drought conditions, has facilitated this revision.

Despite the severity of the current drought and the extent to which it has devastated certain agricultural regions, post does not believe it has damaged Australia's long-term beef production potential. A greater potential threat to Australia's future beef production would be a sudden and unexpected improvement in pasture conditions in the short term, which would see the number of cattle available for slaughter decline sharply as producers withhold stock to rebuild herd numbers. Although this scenario would see cow numbers increase, slaughter and production numbers would fall sharply over the short term and would likely see exports also fall.



Source: ABARE (July/June)

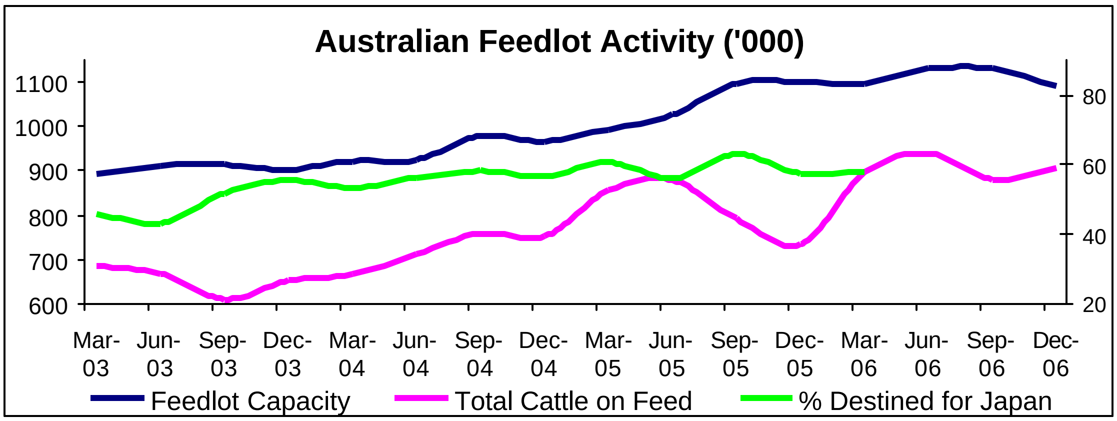
Cattle on Feed

Australia's cattle industry is primarily pasture-based with, about three percent of the national herd, currently on feed. However, feedlot capacity has grown markedly in recent times and post believes this trend will likely continue for the foreseeable future. Furthermore, productivity improvements and shorter feeding times have seen roughly one in three slaughter cattle finished in feedlots.

Despite prolonged drought conditions, high prices have kept overall cattle numbers at historically high levels. A recent industry report stated that feedlot numbers for the last quarter of CY 2006 have increased to 908,820 head despite a chronic shortage of feed grain. Increasing numbers of cattle on feed, and dwindling feedgrain supplies, have undoubtedly driven the record turn off of 2.6 million head from Australian feedlots in CY 2006.

Adequate supplies of feed grain are currently the biggest constraint on feedlot production. A recent industry report quoted prices for feed barley averaging A$329 per MT for the last quarter of CY 2006. This represented an increase of 59 percent on the previous quarter and a 92 percent increase on the same quarter for the previous year. Feedgrain prices are unlikely to ease until later in CY 2007.

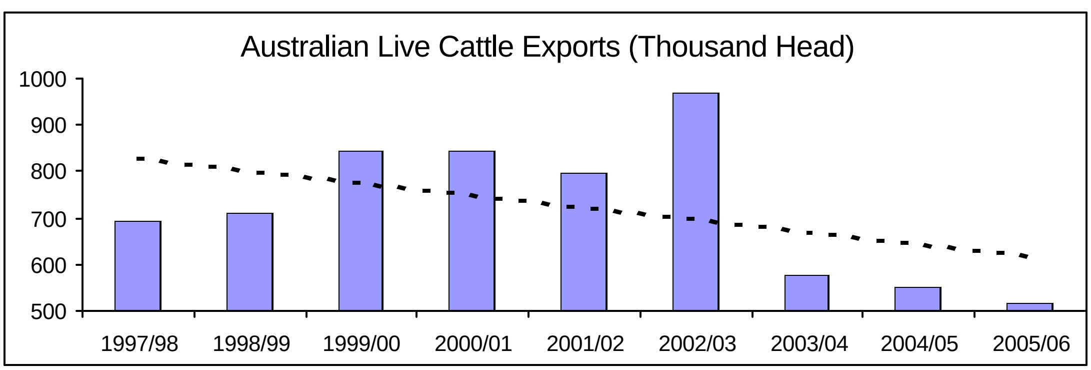
According to industry sources, the feeding of by-products to cattle is relatively new to the Australian cattle industry and is not as widely embraced as it is in Europe for example. Ongoing high feedgrain prices are likely to see intensive feeders search for by-products as new input sources. Feed sources such as Dried Distillers Grains are likely to grow markedly in importance over the short and long term.



Source: Australian Lot Feeders Association

Live Exports

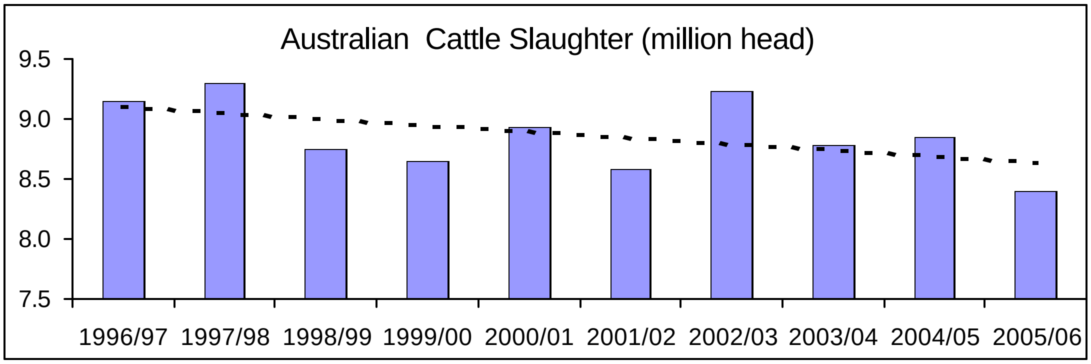
Live cattle exports for CY 2007 are forecast at 640,000 head, up slightly from the revised estimate for the previous year. Despite this increase, this forecast remains well below the historical average. Exports of live cattle over the past three years have suffered from low supply and the comparatively higher price of slaughtered beef. The high price of the Australian dollar over this period has also constrained exports.



Source: ABARE (July/June)

Slaughter

Total slaughter for CY 2007 is forecast at 9.4 million head, unchanged from Post's previous forecast. If achieved, this would represent the highest level of slaughter since 1982, when sudden and severe drought was responsible for high slaughter numbers. In forecasting this slaughter level, post has assumed a return to average weather conditions in the second quarter of CY 2007, and a return to normal pasture conditions in the second half of CY 2007. A sudden improvement in climatic conditions resulting from above average rainfall would likely result in slaughter levels falling sharply below this forecast.

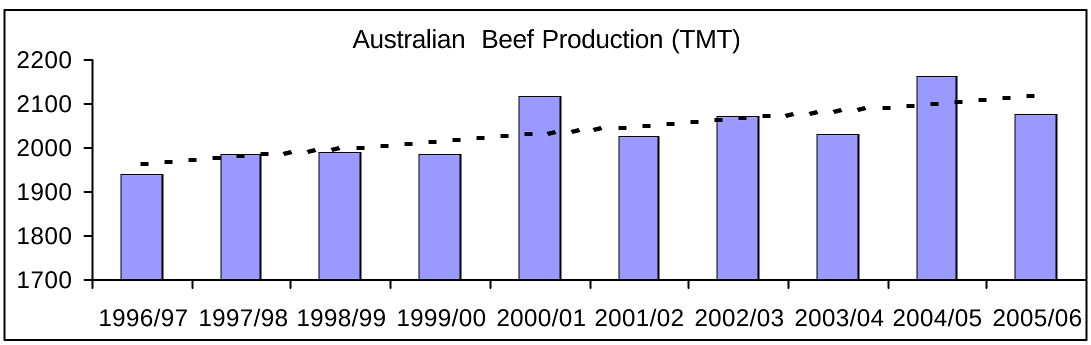


Source: ABARE (July/June)

Production

Total beef and veal production for CY 2007 is forecast at record 2,290 TMT, unchanged from Post's previous forecast. This easily surpasses the previous record of 2,158 TMT set during the beef price collapse of CY 1977, which incidentally also set the record for Australian cattle slaughter at 12.8 million head. A comparison of this year's slaughter number (9.4 million head) compared with the numbers in CY 1977 provides an indication of the impact of the grain fed beef sector on slaughter weights.

This record figure, if achieved, would be driven by historically high slaughter figures. Should current climatic conditions improve dramatically (with above average rainfall), slaughter and production numbers would likely need to be revised downward.



Source: ABARE (July/June)

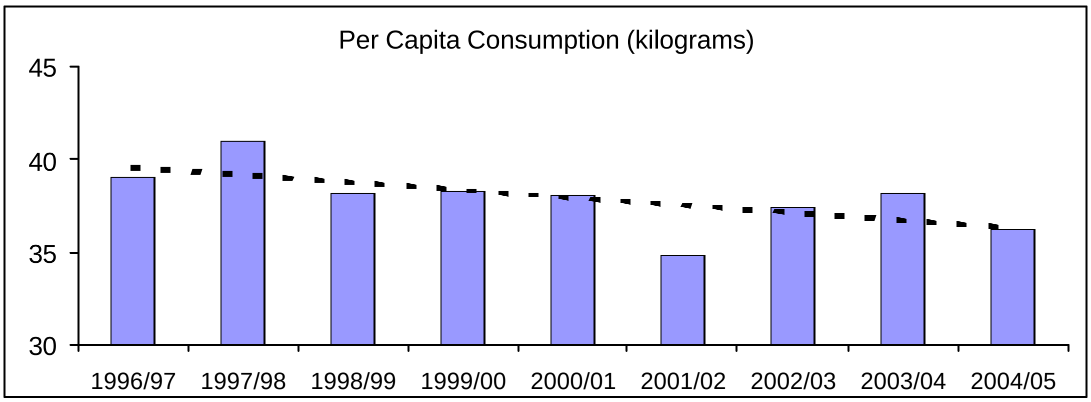
Consumption

Per capita consumption of beef in recent years has shown some improvement since lows reached in 2001/02, according to ABARE's historical data. Improved promotion of red meat products is believed to have assisted these increases following a long-term decline in the 1980's and 1990's. More recently however, very strong export demand has seen some beef product diverted from domestic market to export markets.

Historical figures show Australian beef and veal consumption peaked at 70.3 kilograms per capita in 1977 before declining to 34.9 kilograms per capita in 2001. Since then, beef consumption has fluctuated at levels higher than that of 2001 indicating the long term decline of beef consumption in Australia may have abated.

Per Capita Beef Consumption (kilograms, source: ABARE)				
2000	2001	2002	2003	2004
38.1	34.9	37.4	38.2	36.3

Official up-to-date consumption figures for Australian beef are no longer published. However ABARE does maintain a set of historical figures which post believes are derived from production, export and population figures.



Source: ABARE (July/June)

Trade

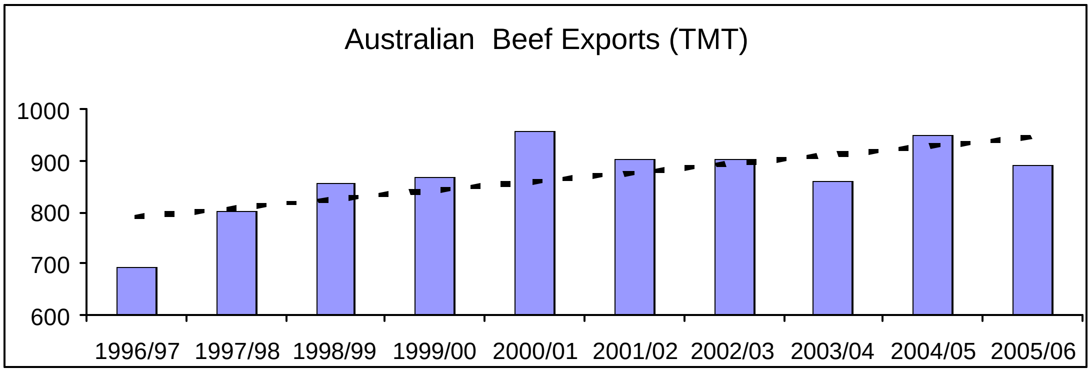
Exports

Total exports of beef and veal are forecast for CY 2007 at 1,495 TMT on a “carcass weight equivalent” (CWE) basis, or about 1,053 TMT in actual shipped weight. Post uses a conversion factor of 1.42 to convert actual shipped weight to CWE.

A forecast of 1,495 MT, if realized, would be an all time beef export record for Australia, according to ABARE’s historic record. The current record of 1,407 MT (CWE) was set in CY 2001.

The forecast for record high exports is underpinned by historically high production and slaughter due to extreme drought conditions. Above average rainfall, if received, would likely see this figure revised downwards in line with revised levels production.

Partial year data for CY 2006 (January to November) shows Australian exports of beef and veal to be up around 1.5 percent. However, preliminary reports for the final quarter of CY 2006 show a surge in exports and likely a surge in production, which may push total year exports slightly higher than year-to-date estimates.

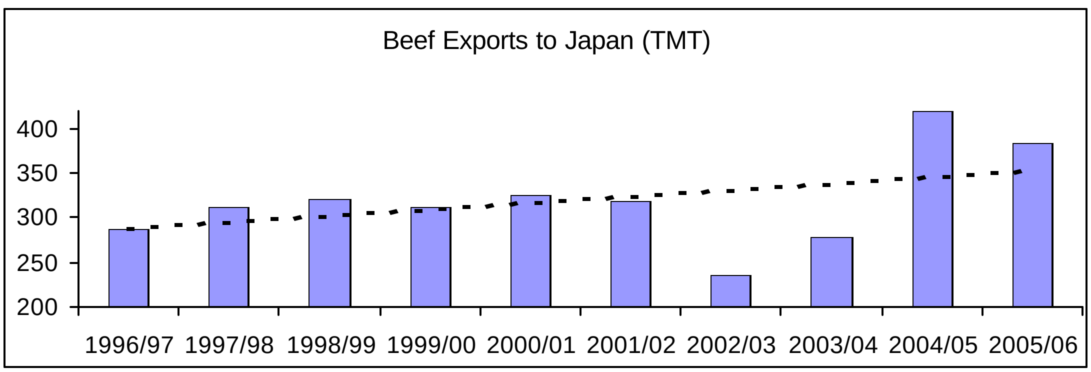


Source: ABARE (July/June)

Exports to Japan

According to official trade statistics, exports to Japan for the year ending November 2006, fell by about 2.6 percent. Post anticipates exports to Japan for CY 2006 to be similar to CY 2005.

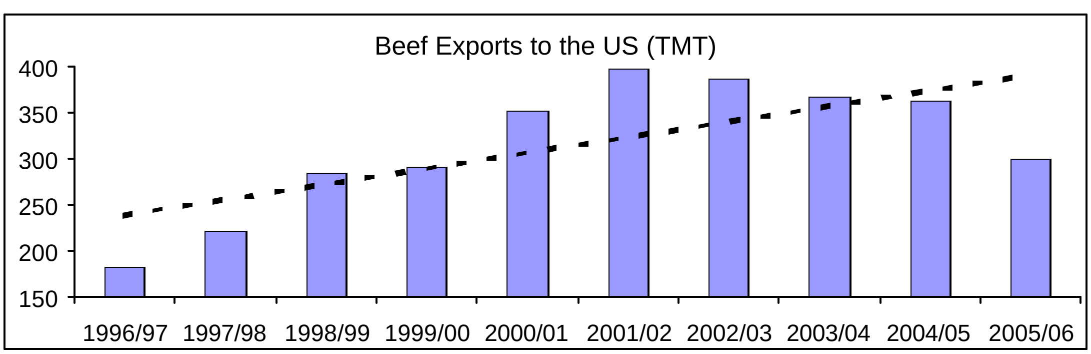
Near record numbers of cattle on feed for the final quarter of CY 2006 indicate strong export levels to Australia's two primary grain fed export markets (Japan and Korea) for CY 2007.



Source: ABARE (July/June)

Exports to the US

Exports to the US for CY 2006 year-to-date (January to November) show a decline of about seven percent. Monthly data for CY 2006 show exports to the US fluctuating significantly and difficult to predict for CY 2007, however post anticipates modest growth.



Source: ABARE (July/June)

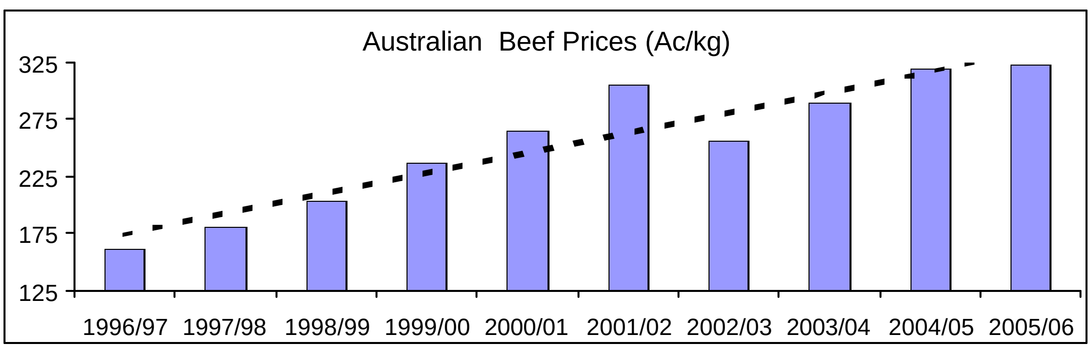
Exports to Korea

Australian exports to Korea for CY 2006 are likely to be well above CY 2005. Difficulties experienced by US exporters in Korea during this period have allowed Australia beef to increase its volume by nearly 20 percent on the same period for the previous year (January to November). This has been achieved following 41 percent increase in CY 2005. Exports to Korea have increased in proportion from 9.9 percent to 16 percent of total Australian beef exports.

Post anticipates exports to Korea in CY 2007 to continue growing, although perhaps at a slower pace.

Prices

Prices for live cattle have weakened over the past six months due to extreme dry weather sharply increasing supply as beef producers sold cattle ahead of worsening drought. Prices for beef however have remained strong with industry sources reporting price increases over the past six months, particularly for categories such as Japan grass-fed full sets. Prices for good quality slaughter cattle have also been maintained remarkably well, considering the extremity of current local conditions.



Source: ABARE (July/June)