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Australia

Livestock

Annual Livestock Report

1998

Prepared by:
Randolph H. Zeitner
U.S. Embassy
Drafted by:
Scott Turner

Report Highlights:
***Australian cattle numbers & production are expected to contract during 1998 & 1999.**
***Despite the Asian crisis, Australian exports of beef & veal are forecast to increase during 1998 & fall slightly during 1999.**
***Exports of live cattle are expected to halve during 1998 & recover modestly in 1999.**
***Australian lamb exports are expected to increase during 1998 & 1999.**

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Meat and Livestock Australia (formerly the AMLC) estimates that the Australian cattle herd fell by over three percent during 1997. This fall reflects continued dry conditions across south east Australia, which followed an unusually dry spring and summer in 1996, which led to a large disposal of stock during 1997. Disposal was also high in northern areas reflecting record live cattle exports.

The Australian cattle herd is forecast to fall a further one percent during 1998 reflecting continued high slaughter rate, especially for females, and poor pasture conditions earlier in the year which led to lower breeding, calving, and calf survival rates.

The latest national feedlot survey from the Australian Lotfeeders Association (ALFA) and the MLA, completed in March 1998, estimates that the Australian feedlot capacity as of March 1998 was 892,359 head, around four percent higher than the estimate for March 1997. The actual number of cattle on feed in March 1998 was 536,700 head, 23 percent higher than during March 1997.

The rise in cattle on feed reflects: lower grain prices; a modest recovery in demand from the Japanese market; a sharp depreciation of the Australian dollar; increased numbers of short-fed cattle destined for the domestic market; and, cheaper feeder cattle due to dry weather in the March quarter which led to a deterioration in pasture quality.

Exports of feeder and slaughter cattle have increased strongly in recent years. Exports increased from 304,646 head in 1994 to a record 882,636 head in 1997. This growth has been primarily driven by demand from South East Asia.

The Asian economic crisis began to bite at the end of 1997. Thus live cattle exports have slowed dramatically during 1998 reaching 221,000 head for the first five months of the 1998 year (this compares to 397,000 head for the first five months of 1997). Exports for the 1998 year are forecast by the MLA to reach 470,000 head. Increases in exports to non-Asian destinations will mask the full impact of reduced sales to South East Asia.

The Government of Australia (GOA)has recently announced that it will change the fundamental way services and promotional activities are delivered to the Australian meat industry. A producer owned company will replace the Australian Meat and Livestock Corporation and the Meat Research Corporation, while the Meat Industry Council will be wound up.

After extensive industry consultation the Federal Government has recently unveiled the operating structure for the new producer based red meat company Meat and Livestock Australia (MLA). This body replaces the Australian Meat and Livestock Corporation and the Meat Research Corporation, and the Meat Industry Council.

The new body will have a number of core functions including market intelligence, quality assurance, and market access. The new body has had its budget cut severely and seems unlikely to be participating in large generic promotional programs in markets such as Japan. Future promotion may be conducted in conjunction with private companies. The new company will be responsible for both beef and sheepmeat. Industry sentiment suggests that companies will carry out more of their own marketing and promotional campaigns.

Cattle and calf slaughterings during 1998 are forecast to decrease by around seven percent to 8.5 million head due to lower cow numbers, the retention of stock for herd rebuilding (due to improved pasture conditions), and the retention of cattle in northern regions to be grown out into bullocks (these animals have been displaced from the live export trade).

The MLA forecast that slaughterings will fall to 8.2 million head during the 1999 marketing year. This will be dependent on seasonal conditions, at present seasonal conditions are forecast to be above average due to the weakening of the El Nino event, which is usually followed by a La Nina event. Australia's export prospects will also play a major role in the future size of the Australian herd.

Sales of manufacturing beef to the U.S. during 1997 increased to 221,000 MT, 23 percent higher than the 1996 level. Exports of Australian beef to the U.S. during 1998 are forecast to increase to around 250,000 MT due to the expected continuation of the tight supply situation in the US, the strong US dollar, and the increased availability of cattle for the manufacturing trade due to the sharp fall off in live cattle trade, and the reduction in product going to Asian markets.

Exports to Japan during 1997 increased by around 11 percent to 312,000 MT due to the depreciation of the Australian dollar against the US$ and the increase in price of US beef.

Australian exports to Korea during 1998 are forecast by MLA to fall to around 50,000 MT due to: the weak outlook for Korean consumption of imported beef; the increased share of the quota to be purchased via the SBS system which favors US suppliers due to the relative profitability of importing short ribs; US exporters have the advantage of ready access to individual grainfed cuts, unlike Australia which concentrates its trade on bulk bone-in product; and the effectiveness of US credit guarantees which will help reduce Australia's share of the SBS segment.
On the positive side is a greater proportion of grassfed purchases under the LPMO tender system. It is felt that LPMO purchases will be weighted toward the end of the 1998 calendar year.

Australian exports to South East Asia increased from around 23,000 MT in 1994 to 65,000 MT in 1997. The economic crises in Asia will dramatically reduce growth rates in the region and will erode some of the gains in beef consumption. Thus despite the benefits of the depreciation in the A$ MLA forecasts that exports to the region will fall to around 34,000 MT in 1998. It seems that the majority of product displaced from these markets will be diverted to the US market.

The MLA reports that since bottoming in 1995 Australian sheep numbers have gradually increased reaching 123.3 million head in March 1997. Sheep numbers are expected to continue to increase modestly through early into the new century. The growth in the flock will be driven by improved seasonal conditions and strong export demand for sheepmeat, however, the uncertain outlook for wool prices given the Asian economic crises has the potential to reverse herdbuilding in specialty wool growing areas.

Australian live sheep exports are estimated to have decreased by 16 percent during 1997 when compared to 1996 due to a halving of export trade with Jordan and the continued tight supply situation in Australian due to flock rebuilding, shipping constraints, and strong competition from Eastern European sheepmeat. Exports are expected to reach 5.3 million head during 1998 due to a recovery of the Jordanian trade, and an increase in the availability of ships servicing this trade. The Mexican market is expected to increase in importance during 1998.

Lamb production is expected to increase by around six percent during 1998 due to improved seasonal conditions, and an increase in slaughterings and slaughter weights. Underpinning this increase is an increase in the number of specialist lamb producing ewe flocks i.e. these flocks are made up of first and second cross ewes, and an increase in the number of ewes mated to non-merino sires.

Exports of Lamb increased during 1997 by 24 percent due to strong export demand, which was assisted by the weaker A$, and an increase in supply.

The export market for lamb has diversified in recent years after previously being reliant on Europe and North America. The Pacific Rim, South Africa and the Middle East are now important markets. During 1997 the most important market was again the U.S. which increased its imports from 10,705 MT to 13,415 MT. Australian lamb exports to the US are expected to reach to around 15,000 MT during 1998 due to declining US domestic production, higher Australian production, and a lower A$.

Papua New Guinea was the next most important market taking 11,102 MT during 1997.

Animal Numbers, Cattle

PSD Table						
Country: Australia						
Commodity: Cattle						
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Total Cattle Beg. Stks	26400	26354	25500	25500	0	25300
Dairy Cows Beg. Stocks	2046	2046	2085	2065	0	2080
Beef Cows Beg. Stocks	11600	11600	11000	11000	0	10900
Production (Calf Crop)	9630	9630	9200	9200	0	9150
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	13	0	10	0	10
TOTAL Imports	0	13	0	10	0	10
TOTAL SUPPLY	36030	35997	34700	34710	0	34460
Intra EC Exports	0	0	0	0	0	0
Other Exports	880	883	500	470	0	500
TOTAL Exports	880	883	500	470	0	500
Cow Slaughter	3500	3762	3200	3700	0	3300
Calf Slaughter	1200	1280	950	1000	0	900
Other Slaughter	4100	4117	4150	3800	0	4000
Total Slaughter	8800	9159	8300	8500	0	8200
Loss	850	455	300	440	0	160
Ending Inventories	25500	25500	25600	25300	0	25600
TOTAL DISTRIBUTION	36030	35997	34700	34710	0	34460
Calendar Yr. Imp. from U.S.	0	13	0	10	0	10
Calendar Yr. Exp. to U.S.	0	4	0	5	0	5

Production

General

Meat and Livestock Australia (formerly the AMLC) estimates that the Australian cattle herd fell by over three percent during 1997. This fall reflects continued dry conditions across south east Australia, which followed an unusually dry spring and summer in 1996, which led to a large disposal of stock during 1997. Disposal was also high in northern areas reflecting record live cattle exports.

The Australian cattle herd is forecast to fall a further one percent during 1998 reflecting continued high slaughter rate, especially for females, and poor pasture conditions earlier in the year which led to lower breeding, calving, and calf survival rates.

The MLA forecasts that the herd will increase at a very modest rate from the 1999 year reaching around 26.2 million head by the start of the 2002 year. This increase is of course reliant on average seasonal conditions and satisfactory returns.

The proportion of female cattle in the kill reached 47.7 percent in 1997, compared to 42.9 percent in 1996, and a five year average of 43.7 percent. In recent years these figures have become somewhat misleading as the growth in live cattle exports, which are predominantly male animals, means that the female percentage of the kill is overstated. While this should be noted it still appears that the Australian numbers have been going through a period of downsizing. Total adult cattle disposal has reached over 30 percent, which also indicates that the herd is falling. Poor pasture conditions in south eastern Australia helped reduce the calf crop and gave further impetus to herd reduction.

The latest national feedlot survey from the Australian Lotfeeders Association (ALFA) and the MLA, completed in March 1998, estimates that the Australian feedlot capacity as of March 1998 was 892,359 head, around four percent higher than the estimate for March 1997. The actual number of cattle on feed in March 1998 was 536,700 head, 23 percent higher than during March 1997.

The rise in cattle on feed reflects: lower grain prices; a modest recovery in demand from the Japanese market; a sharp depreciation of the Australian dollar; increased numbers of short-fed cattle destined for the domestic market; and, cheaper feeder cattle due to dry weather in the March quarter which led to a deterioration in pasture quality. Part of the recent recovery is due to the usual seasonal lift in placements during winter. The feedlot survey has found that the number of cattle on feed increased in feedlots of all sizes during the March quarter.

Dry conditions during 1997 restricted the supply of well finished cattle for the domestic market, while increasing the supply of unfinished stock, which created a profitable opportunity for domestic feedlotters. Tight export margins and the uncertainty of grain supplies prompted producers to shorten domestic feeding regimes and direct more cattle than usual to the domestic market. In previous years the Australian feedlot industry forecast that new investment in the industry, and planned expansion programs for existing feedlots, would see feedlot capacity grow to around 1,000,000 head by the year 2000. The current improvement in the seasonal outlook, increased numbers destined for the domestic market, lower grain prices, and a depreciation in the Australian dollar may see this prediction come to fruition.

The latest survey estimates that as of March 1998, 40 percent (34 percent in March 1997) of cattle were being fed for the domestic market, 58 percent (62 percent in March 1997) are being fed for the Japanese market and 0.2 percent (one percent in March 1997) were being fed for the Korean market.

Numbers of cattle on feed were expected to increase modestly throughout the March quarter due to a continued improvement in demand conditions for grainfed beef in the Japanese market, positive developments in the agreement between the Korean and Australian governments, and falling US feedlot placements.

The Australian industry has in recent years been reported to be moving south, which is supported by the establishment of three large feedlots in South-West New South Wales (NSW). This location has the advantage of more consistent grain supply, and a higher availability of Bos Taurus cattle which are more suitable for the Japanese trade. The Northern industry i.e. based in Queensland, also claims to be growing strongly with a large number of applications for new feedlots currently under consideration. The Northern industry has the advantage of more favorable climatic conditions, such as higher winter temperatures, which results in less energy loss, and fewer disease problems that are caused by wet weather. Industry sources claim that the improved design of southern feedlots can alleviate these environmental problems.

The Australian dairy industry has enjoyed very favorable returns in recent years which has resulted in dairy cow numbers increasing. This is a reversal of the previous trend which saw dairy cow numbers steadily decline.

Slaughter Rate

The slaughter figure for 1998 is forecast to decrease by around seven percent to 8.5 million head due to lower cow numbers, the retention of stock for herd rebuilding (due to improved pasture conditions), and the retention of cattle in northern regions to be grown out into bullocks (these animals have been displaced from the live export trade).

The MLA forecasts that slaughterings will fall to 8.2 million head during the 1999 marketing year. This will be dependent on seasonal conditions, at present seasonal conditions are forecast to be above average due to the weakening of the El Nino event, which is usually followed by a La Nina event. Australia's export prospects, which will be affected by the unfolding Asian crises, will also play a major role in the future size of the Australian herd.

Forage and Feed Supplies

The 1997-98 season resulted in above average coarse grain and wheat crops despite the effect of an El Nino event, this followed record coarse grain and wheat crops in 1996-97. These large crops, combined with falling world grain prices, have resulted in lower prices for feed grains during 1997-98. Grain prices during 1998-99 are forecast by ABARE to fall further which would result in increased profitability of feedlots. Long term weather forecasts indicate that Australia is likely to experience above average rainfall in the coming months. If this proves correct then feed and grain supplies will increase, feed and grain prices would decrease, sales of cattle would decrease, cattle prices would increase and slaughterings and production would fall.

Pasture Conditions

Pasture conditions were generally poor earlier in the year, however good rain and mild growing conditions in early winter in Eastern Australia, improved prospects heading into winter. Long term weather forecasts indicate seasonal conditions are forecast to be above average due to the weakening of the El Nino event, which is usually followed by a La Nina event. If this proves correct then pasture condition and availability will improve accordingly.

Cross Commodity Developments

The outlook for the Australian wool and grain industries affects the future structure of beef production in Australia.

The suspension of the grower funded wool floor price scheme in mid-1991, following the accumulation of a 4.7 million bale stockpile was followed by a period of falling wool prices and thus growers incomes fell substantially.

The Australian Bureau of Agricultural and Resource Economics (ABARE) forecast for the 1998-99 FY is for around a two percent decrease in the average wool price when compared to the 1997-98 levels. The Asian economic crisis resulted in reduced demand from several major wool consuming countries which caused a downturn in the raw wool market during the first half of 1998. This was reflected by prices falling by around 13 percent during this period. The 1998-99 wool price will be again influenced by the Asian crisis. The downward pressure on prices will be partly offset by reduced Australian wool production and a continued reduction in international wool stocks, including the Australian stockpile. The stockpile managers recently announced that the selling schedule would be reduced to the minimum while demand remains weak. The continued depressed outlook for the Australian beef and wool industry, and the static outlook for the lamb industry, is unlikely to encourage anything but very marginal transfer of resources between industries.

The large amount of capital involved in transferring from a sheep enterprise to cattle production, and the memory of the previous cattle market crash in mid-1970, has also limited movement from sheep to cattle.

The relatively favorable outlook for grain growing in Australia in recent years means that producers have increased the ratio of farm resources dedicated to grain growing to achieve a quick cash return. While forecast grain returns for 1998-99 are less attractive than in recent years they are comparatively strong enough to limit any transfer of resources to the cattle industry in the medium term. While most cattle country is unsuitable for cropping, high grain prices and the production of new red feed wheat varieties have seen some land come in to grain production for the first time in many years.

Production Problems

The Australian beef industry has been hindered by a long-running history of industrial disruption in the Australian beef processing sector. The Australian meat industry has undergone a number of inquiries in recent years including two Industry Commission (IC) reports which aimed to facilitate improved industrial relations, efficiency and productivity in the industry. All the above reports concluded that the Australian industry has been hindered from reaching international competitiveness by lack of industrial reform and thus reduced profitability.

The inquiries have recommended a plan to simplify Australia's meat industry employment conditions and to focus on consultation, flexibility, productivity and enterprise needs. The Cattle Council of Australia (CCA) states that productivity based plant specific (as opposed to industry wide) agreements should be developed in an environment made conducive by the GOA. It goes on to state that a cultural change within the processing sector must occur to reach a commonality of purpose between employees and employers.

The above reports included the following findings:

< A$1,000 million lost per year due to restrictive work practices which reduce Australia's competitiveness;
< labor productivity in Australia was 1.4(cattle processed/employee/day) compared to 2.9 in the US and 3.4 in New Zealand; and
< Australian processing costs were over A$100 dollars per carcass higher than in the US (this was balanced to some degree as Australian processors pay an average of 112Acents/kg less than their US counterparts;

Some processors have initiated major reform, including Australian Meat Holdings (AMH) which after a costly strike (which is estimated to have cost A$16 million), introduced reforms that the National Farmers Federation (NFF) estimates resulted in a four percent increase in productivity which equates to an increase in Gross Domestic Product of A$162 million i.e. this is the effect on the Australian economy of the productivity increase to all AMH plants once the multiplier effect has been taken into account.

Industry sources state that the repeated failure to implement these reforms was due to meat industry union pressure on the previous Australian Government. The union movement seems reluctant to accept the new work regulations due to the fear that they will lose some of the restrictive work practices that they have built up over the years.

The CCA has stated that reducing the number of Australian abattoirs and increasing the number of high technology, semi-automated operations would help reduce Australian processing costs. The CCA stated that the capacity at which Australian works operated should be increased to from the current 65-70 percent to 90-95 percent.

Industry rationalization over the past decade has resulted in the closure of about 20 processing plants across Australia. This will be beneficial to the Australian industry as large players have indicated that they have closed out dated plants and plan to upgrade the technology and throughput in other plants.

Consumption

Prices

Saleyard prices during 1997-98 were estimated by ABARE to have increased by around 14 percent to Ac173/kg reflecting stronger export demand, particularly in the US market and depreciation of the Australian dollar. ABARE forecasts that average yearly prices during 1998-99 will increase to Ac184/kg due to cattle herd building in Australia and the US. If seasonal conditions continue to be very positive, and slaughter rates continue to fall, and the Australian dollar remains weak, prices may actually increase more than currently expected.

Grain prices during 1998-99 are forecast by ABARE to fall further which would result in increased profitability of feedlots and will improve export margins for grain fed cattle, and thus increase saleyard demand for feeder cattle.

Export demand for live cattle has fallen dramatically during 1998 due the sharp fall in demand from Asian markets. Industry sources feel that some of the cattle that have been displaced from the live export trade will be retained in northern regions to be grown out into heavier bullocks for the Japanese trade while the balance will be sent south for slaughter. Exports of bos taurus cattle from southern areas to north Africa will continue to be very price competitive due to the depreciation of the Australian dollar.

The following table lists indicative feeder cattle prices for New South Wales between January 1992 and May 1998 (the price is for young cattle dressed weight 160- 210 kg, dressed weight)

Month	1992	1993	1994	1995	1996	1997	1998
January	218.0	229.0	253.0	237.0	208.0	155.0	
February	226.0	226.0	259.0	227.0	186.0	200.0	
March	232.0	223.0	268.0	216.0	172.0	203.0	
April	214.0	206.0	266.0	233.0	163.0	215.0	
May	208.0	209.0	246.0	233.0	155.0	212.0	
June	201.0	215.0	243.0	252.0	163.4		
July	208.0	235.0	254.0	246.0	176.0		
August	218.0	257.0	230.0	237.0	182.0		
September	221.0	257.0	225.0	220.0	172.0		
October	220.0	251.0	220.0	203.0	169.0		
November	222.0	249.0	232.0	205.0	167.0		
December	226.0	252.0	231.0	213.0	157.0		

Source - Meat & Livestock Australia

Trade

Export Trade Table

Export Trade Matrix		Animal Numbers		
Country: Australia			Units:	Number
Commodity: Cattle			Partial Begin:	Jan
			Partial End:	May
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	1	4	4	11
Others				
Indonesia	388974	428381	208039	2200
The Philippines	206317	259702	89683	68119
Libya	10007	105257	13965	67387
Malaysia	46034	73752	39966	19838
Egypt	52210	37540	31357	28731
Japan	15481	19857	7073	8049
Mexico	3997	6960	0	11743
Brunei	5824	6528	3787	3420
Jordan	4563	2451	513	7764
United Arab Emirates	1061	1533	1030	1057
Total for Others	734468	941961	395413	218308
Others not listed	8179	6404	2039	2884
Grand Total	742648	948369	397456	221203

Import Trade Table

Import Trade Matrix		Animal Numbers		
Country:			Units:	Number
Commodity:			Partial Begin:	Jan
			Partial End:	May
Imports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	35	13	13	102
Others				
Total for Others	0	0	0	0
Others not listed				
Grand Total	35	13	13	102

General

Exports of feeder and slaughter cattle have increased strongly in recent years. Exports increased from 304,646 head in 1994 to a record 948,369 head in 1997. This growth has been primarily driven by demand from South East Asia.

The Asian economic crises began to bite at the end of 1997. Thus live cattle exports have slowed dramatically during 1998 reaching 221,203 head for the first five months of the 1998 year (this compares to 397,456 head for the first five months of 1997). Exports for the 1998 year are forecast by the MLA to reach 470,000 head. Increases in exports to non-Asian destinations will mask the full impact of reduced sales to South East Asia.

Indonesia and the Philippines were the largest markets in 1997 with exports to Indonesia increasing by ten percent to 428,381 head, while exports to the Philippines increased by 26 percent to 259,702. Exports to Malaysia increased from 46,034 head in 1996 to 73,752 head in 1997. Exports to Libya increased from 10,007 in 1996 to 105,257 in 1997, while exports to Egypt decreased from 52,210 head in 1996 to 37,540 in 1997.

The impressive growth in exports of cattle to South East Asia reflects: high rates of economic growth throughout the region; increased beef consumption levels; stagnant local beef production; poor infrastructure for handling chilled and frozen beef; religious/social preference for freshly slaughtered beef; high tariffs on beef imports relative to cattle imports; and, low processing costs compared to Australia.

In the long-term shipments to Asia are forecast to once again increase as economic growth rates improve. However governments are unlikely to provide the same level of assistance as was provided before the crises. Recent reductions in beef import tariffs in Indonesia and the Philippines are good examples of policy adjustment following the recent turmoil that will work against live exports. Industry sources feel that is unlikely that shipments will ever reach the levels attained in 1997.

European Union (EU) exporters have traditionally supplied live cattle to the Middle Eastern and north African markets. In recent years EU exports have faced increasing pressure due to reductions in export subsidies, BSE problems, and pressure from animal welfare groups. This has seen EU exports fall from 278,000 head in 1995 to 180,000 head in 1997. The vast majority of non Asian Australian exports are destined for markets previously tied up by the EU. While in the past these markets took predominantly British and European breed cattle for immediate slaughter, they have recently taken more bos indicus cattle from northern Australia. The MLA report that these cattle are well suited to this trade and excess shipping capacity in the north makes these cattle cheaper.

Live cattle exported for breeding purposes increased from 17,298 during 1996 to around 33,659 head (these figures are aggregated with slaughter and feeder cattle in the trade matrix) during 1997. Malaysia was the most important market taking 14, 721, the Philippines was next taking 5,896 head, while the next most important markets in 1997 were Mexico, Indonesia and China which purchased 5,683, 3,946 and 1,380 head respectively.

Policy

Production and Consumption Policy

The new Federal Government, (elected in March 1996) entered office with a commitment to change the fundamental way services and promotion activities were delivered to the Australian livestock industry. The Government instigated an inquiry into the industry, which included extensive industry consultation, which made a number of recommendations. The Minister has since decided to adopt a strategy which includes the retention of a single body to oversee the sheep and cattle industries. The operating structure for the new producer based red meat company Meat and Livestock Australia (MLA) was unveiled on May 19, 1998. This body replaces the Australian Meat and Livestock Corporation and the Meat Research Corporation, and the Meat Industry Council.

The operating structure of MLA consists of eight business units and three industry service groups. The eight business units have been designed to deliver services which address the functional needs of Australia's meat and livestock industries. One business unit will address innovation in livestock production, another innovation in the processing sector, while others will work with industry to deliver improvements in areas such as food safety, meat grading, market access and market information. The work of these business units will be supplemented by the activities of the three small service groups. These service groups have been constructed around MLA's major funding sources: the Australian cattle industry, the Australian sheepmeat industry, and MLA contractual arrangements. The most important contractual arrangements are those with processors and live exporters that will ensure adequate funding of activities that are recognized as being of overall industry benefit.

The new body will have a number of core functions including market intelligence, quality assurance, and market access. The new body has had its budget cut severely and seems unlikely to be participating in large generic promotional programs in markets such as Japan. Future promotion may be conducted in conjunction with private companies. Private processing companies will not be obliged to contribute via a levy as in the past. However they will be required to make a voluntary contribution to support core activities of the new body. If the processors fail to contribute adequate funds the Government will legislate to make sure that they do in the future.

Non-Tariff Barriers

Australia achieved "Impending Free" status for bovine tuberculosis (TB) under the Brucellosis and Tuberculosis Eradication Campaign (BTEC) on 1 January 1993. This followed the successful brucellosis eradication campaign which was completed in July 1989. The Brucellosis and TB eradication campaigns commenced in 1970 and cost at least A$750 million.

The Australian cattle industry and Australian Government will now commence the "monitoring phase" which will run for several years before consideration will is given to declaring both diseases "exotic" to Australia.

The success of these campaigns will enhance Australia's reputation as a clean beef producing country.

Meat, Beef and Veal

PSD Table						
Country:	Australia			1.43	<-Conversion factor for CWE	
Commodity:	Cattle					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Slaughter (Reference)	8800	9159	8300	8500	0	8200
Beginning Stocks	34	34	49	43	0	51
Production	1900	1941	1800	1890	0	1850
Intra EC Imports	0	0	0	0	0	0
Other Imports	5	3	5	3	0	3
TOTAL Imports	5	3	5	3	0	3
TOTAL SUPPLY	1939	1978	1854	1936	0	1904
Intra EC Exports	0	0	0	0	0	0
Other Exports	1140	1175	1160	1190	0	1170
TOTAL Exports	1140	1175	1160	1190	0	1170
Human Dom. Consumption	750	760	670	695	0	675
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	750	760	670	695	0	675
Ending Stocks	49	43	24	51	0	59
TOTAL DISTRIBUTION	1939	1978	1854	1936	0	1904
Calendar Yr. Imp. from U.S.	0	152	0	143	0	143
Calendar Yr. Exp. to U.S.	0	316030	0	357500	0	386100

Production

General

Cattle and calf slaughterings during 1998 are forecast to have decreased by around seven percent to 8.5 million head due to lower cow numbers, the retention of stock for herd rebuilding (due to improved pasture conditions), and the retention of cattle in northern regions to be grown out into bullocks (these animals have been displaced from the live export trade).

The MLA forecast that slaughterings will fall to 8.2 million head during the 1999 marketing year. This will be dependent on seasonal conditions, at present seasonal conditions are forecast to be above average due to the weakening of the El Nino event, which is usually followed by a La Nina event. Australia's export prospects will also play a major role in the future size of the Australian herd.

Beef and veal production is estimated to have increased by 12 percent to 1,941,000 MT during 1997(it should be noted that this figure is carcass weight equivalent, while the trade matrix contains shipped weight data). Production is forecast to decrease to 1,890,000 MT during 1998 due to decreased slaughter levels which reflect a smaller herd and modest herdbuilding due to improved seasonal conditions and an improvement in some export markets. Increased slaughter weights due to improved pasture conditions and increased feedlot activity will limit the fall in production. Beef and veal production is forecast to decrease to 1,850,000 in 1999 due again to reduced slaughter levels resulting from herdbuilding activity reflecting forecast improved seasonal conditions and an improved trade outlook for beef and veal.

Recent surveys of the cattle industry have indicated that Australian beef producers are becoming more market driven with the majority of those surveyed stating that they are producing for a particular target market. This trend also includes an increase in backgrounding of cattle for future feedlotting. Many feedlots are now contracting growers to provide the type of cattle that they require for their operation, this bypasses sale by auction and ensures that producers are getting accurate feedback on their production system.

Industry sources state that there is a trend among large cattle producers to expand their production by the purchase of land to complement their current operation, i.e. producers in ideal cattle fattening areas are buying land more suitable to cattle breeding and vice-versa. This trend shows that producers are using land more efficiently in their cattle breeding and fattening enterprises.

Consumption

General

ABARE estimates that per capita consumption of beef and veal increased from 37.6 kg/person in 1993-94 to 40.6 kg/person in 1996-97 due to the increased supply of beef on the domestic market and a relative shift in price that favored beef, i.e. the price of beef fell while the price of pork and chicken increased. Beef and veal consumption is forecast to fall to 38.5 kg/person in 1997-98, and 35.5 kg/person in 1998-99. These decreases in consumption reflect forecasts for lower beef production and increased pork, poultry and lamb production, which should reduce the price advantage that beef had enjoyed over competing products.

Beef consumption has decreased from much higher historical levels due to consumers substituting lower priced meats for beef, and using smaller amounts of beef in cooking. ABARE forecasts beef and veal consumption will fall to 35.5 kg/person in 1998-99, while lamb consumption is forecast to increase two percent to 11.2 kg/person, mutton consumption is forecast to increase two percent to 6.0 kg/person, pork consumption is forecast to fall by one percent to 18.7 kg/person, and poultry consumption is forecast to increase by two percent to 31.2 kg/person.

Prices

Beef and veal retail prices for 1997-98 are estimated by ABARE to have increased by one percent when compared to 1996-97. Prices in 1998-99 are forecast to average three percent higher than during 1997-98 due to a forecast increase in saleyard prices reflecting the retention of stock for herd rebuilding due to improved pasture conditions and a modest recovery of north Asian and the US export markets. This compares with a forecast retail price rise of less than one percent for lamb and pork and over two percent for poultry meat.

Price Table

Prices Table			
Country: Australia			
Commodity: Cattle			
Year:	1998		
Prices in (currency)	Aus cents	per (uom)	KG
Year	1997	1998	% Change
Jan	1052	1054	0.2%
Feb	1070		-100.0%
Mar	1074		-100.0%
Apr	1154		-100.0%
May	1155		-100.0%
Jun	1102		-100.0%
Jul	1109		-100.0%
Aug	1151		-100.0%
Sep	1150		-100.0%
Oct	N/A		ERR
Nov	N/A		ERR
Dec	1050		-100.0%

Trade

Export Trade Table

Export Trade Matrix		Meat		
Country: Australia			Units:	1000 MT CWE
Commodity: Cattle			Partial Begin:	Jan
			Partial End:	May
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	182095	224209	92431	105123
Others				
Japan	287437	321942	129015	129243
Rep of Korea	60279	60319	16789	3542
Taiwan	23698	35241	12959	12119
Canada	30343	32992	15472	16008
Philippines	21236	28063	9308	6138
Indonesia	17164	24965	11813	432
Russia	3261	12742	1686	16310
South Africa	9660	11942	3407	4034
United Kingdom	9794	9827	4034	4124
Malaysia	6565	7754	3222	2371
Total for Others	469437	545787	207705	194321
Others not listed	62190	53535	16254	31333
Grand Total	713722	823531	316390	330777

Import Trade Table

Import Trade Matrix		Meat		
Country: Australia			Units:	1000 MT CWE
Commodity: Cattle			Partial Begin:	Jan
			Partial End:	May
Imports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	146	106	78	0
Others				
New Zealand	3593	2574	1622	809
Australia	95	88	15	136
Japan	0	1	1	0
Total for Others	3688	2663	1638	945
Others not listed	11			73
Grand Total	3845	2769	1716	1018

Overall Trade Trends

Sales of manufacturing beef to the U.S. during 1997 increased to 224,209 MT, 23 percent higher than the 1996 level. This increase reflected higher prices on offer in the U.S., due to a 10 percent fall in the U.S. cow kill slaughter.

Exports of Australian beef to the U.S. during 1998 are forecast to increase to around 250,000 MT due to the expected continuation of the tight supply situation in the US, the strong US dollar, and the increased availability of cattle for the manufacturing trade due to the sharp fall off in live cattle trade, and the reduction in product going to Asian markets.

Exports of Australian beef to Japan have plateaued in recent years following a period of strong growth that resulted in exports to Japan increasing from 185,000 MT in 1990 to 319,000 MT in 1994. Exports to Japan during 1997 increased by around 11 percent to 321,942 MT due to the depreciation of the Australian dollar against the US$ and the increase in price of US beef. While food safety concerns appear to have abated in the Japanese market per capita consumption remains depressed at a forecast 11.6 kg/head for 1997, down from the peak of 12.1 kg/head achieved in 1995.

Australia gained market share during 1997 in the Japanese market due to an increased import volume of frozen grassfed beef which will be used for the growing fast food and food service sectors.

Australian exports to Japan during 1998 are forecast by the MLA to reach around 325,000 MT due to a forecast smaller domestic Japanese herd and falling production which should see imports increase.

Korea has emerged in recent years as Australia's third largest export market for beef and veal. Korean exports increased from 10,000 MT in 1988 to an estimated 97,208 MT in 1992. Total exports fell to 53,089 MT in 1993, and have plateaued around 60,000 MT since that time. Exports reached 60,319 MT in 1997, a five percent increase on the previous year. This increase reflects increased purchases of grassfed beef under the LPMO tender system. This increase was due to the lower price of Australian grassfed beef compared to US grainfed cuts which has the advantage of the Korean Government conserving foreign currency, plus grassfed beef does not compete as strongly with domestic Korean product. Australian sales in this segment have also been assisted by less competition from New Zealand product.

Australian exports to Korea during 1998 are forecast by MLA to fall to around 50,000 MT due to: the weak outlook for Korean consumption of imported beef; the increased share of the quota to be purchased via the SBS system which favors US suppliers due to the relative profitability of importing short ribs; US exporters have the advantage of ready access to individual grainfed cuts, unlike Australia which concentrates its trade on fullsets; and the effectiveness of US credit guarantees which will help reduce Australia's share of the SBS segment.

By the time that Australian credit guarantees were put in place US exporters had already forward sold a substantial amount of product. This product became very uneconomic when the Korean currency was devalued and has left the importers exposed to some heavy losses. This has resulted in high stock levels and limited future purchases. On the positive side is a greater proportion of grassfed purchases under the LPMO tender system. It is felt that LPMO purchases will be weighted toward the end of the 1998 calendar year.

Australian exports to South East Asia increased from around 23,000 MT in 1994 to 65,000 MT in 1997. The increase reflected the continued economic growth of the region which led to increased incomes and has resulted in increased beef consumption. The majority of this increase has been in frozen, manufacturing quality product, which was exported to the Philippines and Indonesia for further processing. The economic crises in Asia will dramatically reduce growth rates in the region and will erode some of the gains in beef consumption. Thus despite the benefits of the depreciation in the A$ MLA forecasts that exports to the region will fall to around 34,000 MT in 1998. It seems that the majority of product displaced from these markets will be diverted to the US market.

Australian exports of beef and veal to Taiwan rebounded strongly during 1997 following decreases in the previous two years. The increase is due to: an easing of food safety concerns; consumers switching from pork to beef following the march 1997 outbreak of FMD; the lower value of the A$; tight supplies in New Zealand; and weak competition from the US.

The tariff regime that favors US product makes it extremely hard for Australian exporters, however, Taiwan did cut import tariffs for Australian beef from NTD$30/kg to NTD$27/kg in July 1997. Taiwan is an important market, especially as an outlet for specialized cuts of shin, shanks, intercostals, briskets and thin flanks. A high standard of living reflecting higher real incomes is creating strong demand for beef. The chilled retail section of the market is expanding rapidly in line with general supermarket growth. Forecasts by MLA predict that Australian exports to Taiwan during 1998 will be approximately equal to 1997 as conditions that drive imports of Australian product remain constant.

Shipments of beef and veal to Canada increased by around 6,000 MT during 1997 to 35,000 MT (Australia's country specific quota) due to reduced cow slaughter which increased the demand for imported lean grinding beef. The Canadian beef market mirrors the US cattle cycle. The MLA reports that a further tightening of Canadian cow supplies will lift demand for imported beef which is forecast to result in Australian exports to the Canadian market increasing to 40,000 MT during 1998 i.e. Australia's country specific quota, plus a share of the supplementary import permit scheme, or, under the non-country specific portion of the Canadian global quota.

Marketing

Competitive Activities

The chiller assessment (i.e. carcasses are assessed once they are in a cool room at the processing facility) scheme of beef grading, developed by AUS-MEAT, has been operating for a number of years with most major processors using the system. Industry sources suggest that the remainder of processors, mainly smaller plants, will use the system when they realize the advantages that it offers. Training for the system is currently underway, with in-house courses being conducted at processors. Personnel at plants must be trained and accredited to use the system. The system has been launched in Japan and is reported to have received wide acceptance in that market. The system, which is aimed at matching the USDA grading system, is used to measure meat quality and when fully operational will help Australian producers compete with U.S. graded product. Industry sources indicate that this system has led to a large improvement in the quality assurance of product being exported from Australia.

The Australian feedlot sector introduced the National Feedlot Accreditation Scheme (NFAS)for domestic and export markets on August 1, 1995. From this date AUS-MEAT accredited abattoirs wishing to market beef using the "Grain Fed" (GF) or "Grain Fed Young Beef" (GFYB) symbols may only obtain livestock for this product from a NFAS accredited feedlot. This system aims to improve the quality assurance of Australian grain fed beef.

Animal Numbers, Sheep

PSD Table						
Country: Australia						
Commodity: Sheep						
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
TOTAL Beginning Stocks	126800	123333	127300	126000	0	128500
Ewes, Beginning Stocks	55000	59000	57000	60500	0	61200
Production (Lamb Crop)	44000	44250	45600	48400	0	48960
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	170800	167583	172900	174400	0	177460
Intra EC Exports	0	0	0	0	0	0
Other Exports	5200	4883	5300	5300	0	5000
TOTAL Exports	5200	4883	5300	5300	0	5000
Ewe Slaughter	0	0	0	0	0	0
Lamb Slaughter	14329	15038	14750	15750	0	16000
Other Slaughter	14960	15597	15750	15600	0	15400
TOTAL Slaughter	29289	30635	30500	31350	0	31400
Loss	9011	6065	7900	9250	0	10060
Ending Inventories	127300	126000	129200	128500	0	131000
TOTAL DISTRIBUTION	170800	167583	172900	174400	0	177460
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Inventory

The MLA reports that since bottoming in 1995 Australian sheep numbers have gradually increased reaching 123.3 million head in March 1997. The move towards flock rebuilding has seen lamb numbers increase. The increase in the lamb crop resulted in slaughter levels increasing during 1997 (after previously falling since 1994). Sheep numbers are expected to continue to increase modestly through early into the new century. The growth in the flock will be driven by: lower supply levels of wool (given the wool stockpile will be eliminated near the end of the century); improved medium term demand; and, uncertain outlook for cropping and lamb production. The anticipated lift in live sheep exports has the potential to moderate the forecast growth in the flock, while the uncertain outlook for wool prices given the Asian economic crisis has the potential to reverse herdbuilding in specialty wool growing areas.

The MLA estimates that Australian sheep numbers peaked at 170.3 million head on March 31, 1990, the highest level since 1971. This expansion mirrored strong flock expansion during the 1980's which was prompted by high wool prices and favorable seasonal conditions. Wool prices have since fallen dramatically and the Australian Wool Corporation's stockpile of wool reached 4.7 million bales during 1991. This resulted in the suspension of the grower funded Reserve Price Scheme (RPS) in early 1991. Following the suspension of the RPS Australian wool prices have fluctuated widely.

The market indicator for 1997-98 is estimated to average Ac670/kg, nine percent higher than in the previous year. Weaker demand for Australian wool by major wool consuming countries and competition from other fibers is expected is forecast to result in the market indicator decreasing to Ac655/kg during 1998-99.

The following table demonstrates the dramatic fall in wool prices faced by most Australian wool growers following the peak achieved in 1987/88. (Note: figures quoted are for the July/June financial year).

Year	Market Indicator (1) (A¢/kg clean)	Annual Percentage Increase/(Decrease)
1975/76	233	n/a
1980/81	411	n/a
1985/86	534	n/a
1986/87	626	17
1987/88	1,003	60
1988/89	980	(2)
1989/90	870	(11)
1990/91	657	(24)
1991/92	557	(15)
1992/93	519	(7)
1993/94	547	5
1994/95	788	44
1995/96 (s)	619	(21)
1996/97 (s)	615	(1)
1997/98 (f)	670	9
1998/99	655	(2)

(1) Australian wool market indicator - weighted average across all wool types sold by auction. (s) AWC estimate. (f) Forecast.

SOURCE: Australian Wool Corporation. Exchange Rate: A$1.62/US$1.00 7/27/98

The above table tracks the Australian wool market indicator until the 1991-92 season. From the 1992-93 year the Eastern Market Indicator (EMI) has been used. This indicator is a weighted average across the 15 categories, each comprising 11 representative types, which are sold in eastern Australian selling centers.

Cross Commodity Developments

Poor wool prices during 1998 have been balanced by lower average lamb prices during the 1997-98 year and the forecast 1998-99 year (compared to 1995-96 and 1996-97). While favorable seasonal conditions should see the total flock increase there is some debate regarding the composition of the growth. The MLA judge that wool production will benefit from the relative price advantage compared to lamb and grain production. This contrasts with the ABARE forecast that continued poor wool prices will encourage producers to produce first cross (i.e. a British breed meat producing ram over a merino ewe) rather than merino lambs in some areas. Satisfactory sheepmeat prices and continued poor prospects for the beef industry should limit any transfer of resources from sheep to beef production.

The low salvage value of sheep and the comparatively high capital cost of cattle also helps reduce the transfer of resources from sheep to cattle.

The Australian grain industry is facing good seasonal conditions for the 1998/99 grain crop, however, with the Asian crisis biting it is unlikely that there will be a transfer of resources between wheat and sheep production.

Consumption

Prices

The returns for prime lambs are forecast by ABARE to marginally increase during 1998/99, after falling by around 16 percent during the previous year. The price increase reflects stronger demand for lamb on both domestic and export markets.

The MLA predicts that lamb production increased by six percent during 1998, and is forecast to increase by a further three percent during 1999.

Saleyard prices for mutton sheep are forecast by ABARE to decrease by around three percent during 1998-99 due to higher than usual sales, after increasing by 17 percent during 1997-98. Mutton prices benefitted during 1997 from strong export demand which helped balance the increase in supply due to poor seasonal conditions and depressed wool prices.

The MLA forecasts that sheep slaughter levels will reach 15.6 million head during 1998, up marginally from the previous year. This level is sustained by a modest expansion of the Australian flock due to the favorable seasonal outlook which should boost sheep meat and wool production.

The average saleyard price for lamb fell during 1997-98 due to the increased supply of lighter lambs, particularly from key lamb producing regions in Victoria and South Australia, following dry seasonal conditions which did not enable lambs to be finished over summer. Lamb production is forecast to increase by around six percent during 1998, and a further three percent in 1999.

Trade

Export Trade Table

Export Trade Matrix		Animal Numbers		
Country: Australia			Units:	HEAD
Commodity: Sheep			Partial Begin:	Jan
			Partial End:	May
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	0	10	0	0
Others				
United Arab Emirates	1758461	1710746	836945	613762
Kuwait	1096978	1037248	474815	565848
Jordan	1249535	658179	149284	287739
Oman	559200	653675	264850	220745
Bahrain	330000	381200	166200	135500
Qatar	308787	363696	162355	151109
Mexico	75020	166868	60763	40816
Egypt	44299	55209	55209	33031
Lebanon	30200	51752	26671	16269
Malaysia	24989	48070	22640	14503
Total for Others	5477469	5126643	2219732	2079322
Others not listed	201616	95180	73265	27905
Grand Total	5679085	5221833	2292997	2107227

Import Trade Table

Import Trade Matrix		Animal Numbers		
Country: Australia			Units:	HEAD
Commodity: Sheep			Partial Begin:	Jan
			Partial End:	May
Imports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	0	0	0	0
Others				
New Zealand	182	90	0	0
Total for Others	182	90	0	0
Others not listed				
Grand Total	182	90	0	0

Overall Trade Trends

Australian live sheep exports are estimated to have decreased by 16 percent during 1997 when compared to 1996 due to a halving of export trade with Jordan and the continued tight supply situation in Australia due to flock rebuilding, shipping constraints, and strong competition from Eastern European sheepmeat.

Exports are expected to reach 5.3 million head during 1998 due to a recovery of the Jordanian trade, and an increase in the availability of ships servicing this trade. The Mexican market is expected to increase in importance during 1998.

The U.A.E. remains Australia's major market for live sheep, taking around 1.7 million head in 1997. While this level was around 300,000 head lower than the previous year, the closure of the trade in carcasses from the U.A.E. to Saudi Arabia in July 1997 was expected to severely reduce imports. The U.A.E./Saudi trade was estimated at around 700,000 sheep carcases per year. It is difficult to explain where the 400,000 head displaced from the official Saudi trade were diverted, however it seems possible that some may have been shipped to Saudi Arabia via unofficial channels. The MLA expect exports to the U.A.E. to remain around 1.5 million head during 1998. The U.A.E. traditionally buys heavy wethers but recently a strong trend toward lambs has also developed. An increase in shipping capacity will help increase imports of Australian live sheep.

The Jordanian lamb market decreased sharply during 1997 due to “domestic industry political problems” early in the year, coupled with a severe shortage of shipping space later in the year. The Australian industry is hoping that inspection costs, which are lower for Eastern European sheepmeat versus Australian live sheep imports, will be equalized in 1998. A Jordanian owned vessel was due to enter service early in 1998. This should help alleviate the shipping shortage experienced late in 1998.

The MLA believe that exports to Jordan should recover to 1.25 million head in 1998. Exports for the first five months of 1998 indicate that trade will need to grow sharply for the remainder of the year if this target is to be achieved.

Exports to Kuwait fell slightly during 1997, however with the problems in the Jordanian market it has moved from the third to the second largest export destination taking over 1.04 million head. The MLA feels that exports to Kuwait during 1998 will remain around 1 million head.

Oman, Bahrain and Qatar remain significant customers taking 653,675, 381,200 and 363,696 head respectively during 1997.

Mexican imports increased from 75,000 head during 1996 to 167,000 head during 1997. These animals were predominantly crossbred lambs for breeding purposes. The MLA states that Mexico's interest in breeding stock is part of an endeavor by local producers to rebuild their livestock industry following severe drought and economic problems which reduced numbers in 1995 and 1996. As rebuilding is in an early stage, Australian exports of breeding stocks have the potential to increase modestly over the rebuilding period.

Sheep exported for breeding purposes increased from 75,795 head during 1996 to 168,510 head during 1997 mainly due to the abovementioned increase in sales to Mexico.

Meat, Lamb, Mutton and Goat

PSD Table						
Country:	Australia			1.47	<-Conversion factor for CWE	
Commodity:	Sheep					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Slaughter (Reference)	29289	30635	30500	31350	0	31400
Beginning Stocks	4	4	4	4	0	4
Production	613	632	633	650	0	660
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	617	636	637	654	0	664
Intra EC Exports	0	0	0	0	0	0
Other Exports	283	281	295	299	0	305
TOTAL Exports	283	281	295	299	0	305
Human Dom. Consumption	330	351	338	351	0	355
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	330	351	338	351	0	355
Ending Stocks	4	4	4	4	0	4
TOTAL DISTRIBUTION	617	636	637	654	0	664
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	27	0	30	0	32

Production

General

Total sheep and goat meat production is expected to increase by three percent during 1998 to 650,000 MT. This increase results from more favorable seasonal conditions and thus higher slaughter weights, which is supported by the trend of producing heavier lambs for the export trade, and modest flock building in part due to sustained higher returns for lambs and sheep. Production of sheep and goat meat is expected to increase by two percent during 1999 due mainly to the continuation of modest flock building. If the Asian crisis results in a further deterioration of the wool market then slaughterings could increase as producers seek to diversify.

Long term weather forecasts indicate that the El Nino event that affected Australia in the last half of 1997 and the early part of 1998 has been broken and that Australia is now likely to receive above average rainfall in the short to medium term. If this proves correct then pasture condition and availability will increase accordingly.

Lamb production is expected to increase by around six percent during 1998 due to improved seasonal conditions, and an increase in slaughterings and slaughter weights. Underpinning this increase is an increase in the number of specialist lamb producing ewe flocks i.e. these flocks are made up of first and second cross ewes, and an increase in the number of ewes mated to non-merino sires.

Consumption

Prices

The returns for prime lambs are forecast by ABARE to marginally increase during 1998/99, after falling by around 16 percent during the previous year. The price increase is due to stronger demand for lamb on both domestic and export markets.

Price Table

Prices Table			
Country:	Australia		
Commodity:	Sheep		
Year:	1998		
Prices in (currency)	Aus Cents	per (uom)	KG
Year	1997	1998	% Change
Jan	624	634	1.6%
Feb	622		-100.0%
Mar	623		-100.0%
Apr	637		-100.0%
May	636		-100.0%
Jun	648		-100.0%
Jul	649		-100.0%
Aug	660		-100.0%
Sep	659		-100.0%
Oct	N/A		ERR
Nov	N/A		ERR
Dec	638		-100.0%

Source: Meat Industry Bulletin, National Meat Association of Australia

Trade

Export Trade Table

Export Trade Matrix		Meat		
Country: Australia			Units:	1000 MT CWE
Commodity: Sheep			Partial Begin:	Jan
			Partial End:	May
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	22913	27335	12846	16039
Others				
South Africa	28512	30699	10555	15167
Saudi Arabia	17197	21331	7773	8129
Japan	20920	20885	8590	7777
Papua New Guinea	20521	19406	8508	5895
Taiwan	12933	18175	4935	5442
Mexico	7074	12139	5213	6799
United Kingdom	10194	11158	4286	4780
United Arab Emirates	9902	9773	3975	5417
Singapore	7577	8542	3347	3173
Malaysia	7868	7753	3108	3225
Total for Others	142698	159861	60290	65804
Others not listed	42029	46545	19202	22479
Grand Total	207640	233741	92338	104322

Import Trade Table

Import Trade Matrix		Meat		
Country: Australia			Units:	1000 MT CWE
Commodity: Sheep			Partial Begin:	Jan
			Partial End:	May
Imports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.				
Others				
Australia	0	13987	14	47
New Zealand	165	7903	2	9
Total for Others	165	21890	16	56
Others not listed				8
Grand Total	165	21890	16	64

Overall Trade Trends

Australian exports of mutton increased by nine percent during 1997 and are forecast to increase by over three percent in 1998 and 1999. This rise is due to the depreciation in the Australian dollar which has resulted in increased demand, due to Australia's increase in competitiveness, on both high and low value markets such as the Middle East and South Africa. Exports to the Middle East have been assisted by disease outbreaks in several north African countries (which traditionally supply sheep to this market).

Mutton exports to north Asia increased during 1997 due mainly to a larger increase in shipments to Taiwan due to the reduced consumption of pork in that country following the outbreak of FMD in 1997. The decrease in the availability of Australian goat and New Zealand mutton helped this trade. Most imports consisted of boneless product for use in the processing sector. The FMD outbreak also assisted the increase in exports to Japan and Korea. Sales to Korea and Japan are expected to continue to benefit during 1998 however Taiwanese imports of mutton are expected to decrease following a return to near normal consumption patterns for pork.

The majority of mutton exported to North Asia is frozen boneless meat used for further processing, typically used in inexpensive meals such as burgers, sausages, mince and meat balls.

Australian mutton has established a strong position in the South African market since trade sanctions were lifted in the late 1980's. Australia now holds over 90 percent of the imported mutton market. Continued income growth in 1998 will further assist import growth. It is hoped that the new meat board, elected in September 1997, will reduce tariffs. Any reduction in tariffs will see Australian imports increase further.

Increased Australian production, a depreciation in the Australian dollar, lower subsidies on EU beef exports, and an easing in live sheep exports to the region, helped Australian exports increase during 1997. Trade to Saudi Arabia accounted for the majority of this increase. A continuation of a weaker Australian dollar and further cuts to EU export subsidies, which will in part be balanced by tight Australian supply, is expected to result in a modest increase in mutton exports to the region during 1998.

Mutton exports to the North America have increased in recent years. Increased imports of mutton into the US is judged by MLA to have resulted from the abolition of the US Meat Import Law, the lowering of US duties on mutton, and a reduction in domestic supplies. Although it appears that US demand is now moderating, demand from Mexico has been improving. During 1998 a lower availability of domestic product across north America, combined with an easing in competition from New Zealand, should see exports to the region modestly increase.

Exports of Lamb increased during 1997 by 24 percent due to strong export demand, which was assisted by the weaker A$, and an increase in supply. Reduced domestic consumption of lamb reflecting relatively higher retail prices has helped increase the supply of lamb for export in recent years. Lamb production increased due to increased ewe numbers, which was largely a supply response to higher prices on offer, and increased sales due to poor seasonal conditions.

The export market for lamb has diversified in recent years after previously being reliant on Europe and North America. The Pacific Rim, South Africa and the Middle East are now important markets. During 1997 the most important market was again the U.S. which increased its imports from 10,705 MT to 13,415 MT. Around 50 percent of Australian lamb sold on the North American market is chilled and sold through retail markets and the higher end of the food service industry. Australian lamb exports to the US are expected to reach to around 15,000 MT during 1998 due to declining US domestic production, higher Australian production, and a lower A$.

Papua New Guinea was the next most important market taking 11,102 MT during 1997. The majority of trade to this market is brisket and flap product. Increased production in 1997 increased the availability of product to this market.

Exports to South Africa increased strongly during 1997 and have doubled since 1995. This reflects a shortage of domestic stock, due to flock rebuilding, and growth in local consumption.

Exports to the EU increased modestly from 6,468 MT in 1996 to 7,936 MT in 1997. Exports to the EU are constrained by the annual sheepmeat quota of 18,650 MT. During 1997 the vast majority of exports went to the UK and were almost entirely frozen product.

Exports to North Asia increased during 1997 to 7,000 MT due mainly to increases in exports to Taiwan and the and South Korea, while exports to Japan actually decreased. While Japan remains the dominant market exports to that market have fallen since the early 1990's, mainly as a result of lower Australian lamb production and the resultant increase in prices.

Australian exports tripled to Mexico during 1997 due to a fall in local production reflecting flock rebuilding. The Mexican economy is expected to continue to grow strongly during 1998 which should lead to higher consumption of lamb. Local consumption is likely to continue to be restricted thus imports from Australia are likely to increase to around 5,000 MT.

Trade matrix figures do not match PS&D figures as PS&D figures are recorded in carcass weight while trade matrix figures are recorded in shipped weight. The conversion factors used to convert mutton and lamb from shipped weight (product weight) to carcass weight (CWE) are 1.47 and 1.12 respectively.

Animal Numbers, Swine

PSD Table						
Country: Australia						
Commodity: Swine						
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
TOTAL Beginning Stocks	2600	2600	2600	2600	0	2600
Sow Beginning Stocks	296	310	305	312	0	310
Production (Pig Crop)	4710	4846	4850	5018	0	4966
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	7310	7446	7450	7618	0	7566
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	3	0	1	0	1
TOTAL Exports	0	3	0	1	0	1
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	4710	4843	4850	5017	0	4965
Total Slaughter	4710	4843	4850	5017	0	4965
Loss	0	0	0	0	0	0
Ending Inventories	2600	2600	2600	2600	0	2600
TOTAL DISTRIBUTION	7310	7446	7450	7618	0	7566
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	20	0	20	0	20

Production

General

The Australian pig industry has undergone significant restructuring in recent years. The number of pork producers has decreased from just under 40,000 in 1970 to less than 3,350 at present.

The current low pigmeat prices are mainly due to a combination of increased production, lower feedgrain prices and lower beef prices. Imports of pigmeat have also affected prices, however, their effect on prices is unclear.

The drought in 1994-95 resulted in feedgrain prices increasing (the increase in price was exacerbated by the phytosanitary restrictions on grain imports). Grain prices remained high following the drought which reduced pigmeat production and thus saleyard prices for pigs increased. In 1997 a reduction in grain prices, due to the record 1996-97 harvest, and sustained high pig prices resulted in producers expanding production. This expansion was supported by a window of opportunity in the Japanese market following the outbreak of FMD in Taiwan. Unfortunately for the Australian industry when the increase in pigmeat production occurred, demand for pigmeat had fallen as a result of low beef prices, imports had continued to increase, and world prices had fallen. In December 1997 the prices that pig producers received fell, which was the reverse of usual trend around Christmas. This resulted in producers holding back the marketing of their pigs and thus an overhang of supply resulted.

Despite an easing in imports and an increase in exports, prices have remained low through 1998. Beef saleyard prices remained flat for the first four months of the year, before increasing toward the end of April. Retail prices for pigmeat have not fallen in response to falling saleyard prices for pigs. This price rigidity has hindered adjustment of consumption to the higher level of production.

The recent crisis in the industry has seen heated debate in the Australian media which has focused again on the role of pork imports in the current downturn. The Australian Government has responded with a package of assistance which includes a Productivity Commission study (See Trade section).

The pig industry, in common with all intensive industries, is a heavy user of grain, thus grain prices severely affect profitability. Many of the producers that have recently left the industry were small non specialist producers which means that a decreasing number of producers are involved in mixed enterprises i.e. deriving their income from a mixture of farming and/or grazing activities. There are only around 590 enterprises with more than 100 breeding sows. One percent of pig producers have more than 1,000 sows. These producers accounted for around 37 percent of sows in July 1997.

Around 40 percent of pig meat is consumed in the fresh market with the remaining 60 percent being used in processed meat i.e. ham, bacon, and a small amount in small goods. The market peaks for bacon in winter, when monthly consumption is 40 percent higher than in summer, while the market peak for hams is at Christmas with December sales 400 percent higher than in the other 11 months.

Latest ABARE estimates indicate that sow numbers increased during 1996-97 and the first half of 1997-98 due to decreased feed costs and higher saleyard returns. The ABARE forecasts that a sharp fall in prices combined with intense price competition from other meats on the domestic market, and import competition, will result in sow numbers falling marginally during 1998-99. If prices do not increase substantially in the short-term sow numbers could easily fall far more than ABARE currently expects. In the medium term slaughter weights are expected to increase due to improved feed conversion ratios and superior animal husbandry techniques, e.g. production per sow, management and production technology, and the production of larger leaner pigs. The production of leaner pigs is a reaction to consumer demand for a leaner, low fat product.

Saleyard prices are forecast by ABARE to increase by around two percent in 1998-99 due to an easing in production and reduced imports.

Trade

Export Trade Matrix

Export Trade Matrix		Animal Numbers		
Country: Australia			Units:	HEAD
Commodity: Swine			Partial Begin:	Jan
			Partial End:	May
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	0	20	0	0
Others				
The Philippines	1687	2782	489	482
Malaysia	0	66	66	0
Indonesia	0	50	50	0
Rep. of Korea	22	34	0	0
Hong Kong	119	30	30	0
Thailand	0	24	0	0
Total for Others	1828	2986	635	482
Others not listed	4			23
Grand Total	1832	3006	635	505

Import Trade Matrix

Import Trade Matrix		Animal Numbers		
Country: Australia			Units:	HEAD
Commodity: Swine			Partial Begin:	Jan
			Partial End:	May
Imports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	12	0	0	0
Others				
	0	0	0	0
Total for Others	0	0	0	0
Others not listed				
Grand Total	12	0	0	0

Meat, Swine

PSD Table						
Country:	Australia			0.8	<-Conversion factor for CWE	
Commodity:	Swine					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Slaughter (Reference)	4710	4843	4850	5017	0	4965
Beginning Stocks	0	0	0	0	0	0
Production	328	339	340	354	0	353
Intra EC Imports	0	0	0	0	0	0
Other Imports	10	9	10	6	0	8
TOTAL Imports	10	9	10	6	0	8
TOTAL SUPPLY	338	348	350	360	0	361
Intra EC Exports	0	0	0	0	0	0
Other Exports	6	9	6	12	0	15
TOTAL Exports	6	9	6	12	0	15
Human Dom. Consumption	332	339	344	348	0	346
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	332	339	344	348	0	346
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	338	348	350	360	0	361
Calendar Yr. Imp. from U.S.	0	16	0	20	0	25
Calendar Yr. Exp. to U.S.	0	35	0	35	0	35

Production

General

Pig meat production is forecast by ABARE to have increased by four percent during 1997-98 due to increased slaughterings which reflects a rise in sow numbers due to increased profitability in the industry in 1997. Production is forecast to decrease by one percent during 1998-99. This reflects decreased sow numbers, decreased slaughter levels, due to the sharp fall in pig prices and thus profitability in recent months. Post believes that unless the price situation turns around production could fall more sharply than currently forecast by ABARE.

Consumption

Price Table

Prices Table			
Country: Australia			
Commodity: Swine			
Year:	1998		
Prices in (currency)	Aus Cents	per (uom)	KG
Year	1997	1998	% Change
Jan	815	841	3.2%
Feb	831		-100.0%
Mar	832		-100.0%
Apr	827		-100.0%
May	826		-100.0%
Jun	835		-100.0%
Jul	835		-100.0%
Aug	833		-100.0%
Sep	835		-100.0%
Oct	N/A		ERR
Nov	N/A		ERR
Dec	834		-100.0%

Source: Meat Industry Bulletin, National Meat Association of Australia

Utilization

ABARE estimates that Australian per capita consumption of pig meat will remain at 18.9 kg/year during 1997-98 and decrease to 18.7 kg/year during 1998-99. Improved relative prices for competing meats and the failure of retailers to pass on the recent fall in pig prices has been responsible for the decline in pork consumption. The Australian Pork Corporation (APC) is continuing to run an aggressive marketing campaign which includes in-store demonstrations, butcher education, taste-tests, consumer studies, point-of-sale merchandising, recipes, and nutritional information. The APC is also working with the National Heart Foundation which has endorsed 13 different cuts of pork as being nutritionally beneficial, e.g. low in fat and cholesterol.

The APC has teams of promotion officers that give presentations to butchers regarding new pork cuts, how to achieve a higher yield from a carcass, how to add value to pork (e.g. marinated cuts of pork), etc.

Trade

Export Trade Table

Export Trade Matrix		Meat		
Country: Australia			Units:	1000 MT CWE
Commodity: Swine			Partial Begin:	Jan
			Partial End:	May
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	35	35	0	51
Others				
Japan	277	2956	301	2039
Russia	802	1427	431	885
New Zealand	923	1090	357	883
France	988	937	238	89
Germany	1429	848	319	287
The Netherlands	102	269	0	217
The Philippines	114	228	6	15
Hong Kong	102	183	128	127
Nauru	150	177	88	28
Western Samoa	90	152	43	29
Total for Others	4977	8267	1911	4599
Others not listed	1092	777	271	277
Grand Total	6104	9079	2182	4927

Import Trade Table

Import Trade Matrix		Meat		
Country: Australia			Units:	1000 MT CWE
Commodity: Swine			Partial Begin:	Jan
			Partial End:	May
Imports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	50	16	16	0
Others				
Canada	5844	8784	3046	2151
New Zealand	0	3	0	0
Total for Others	5844	8787	3046	2151
Others not listed	36			2
Grand Total	5930	8803	3062	2153

General

Australia traditionally has been a small exporter of pork. However, exports increased strongly during 1997 due to an increase in exports to Japan which was due the FMD outbreak in Taiwan. Australia also increased exports to Russia. Other major export destinations were New Zealand, France and Germany. While ABARE feels that Australia will face increased competition during 1998 sales for the first five months of 1998 indicate that CY 1998 exports will be similar to the previous year. Australia's competitive position will be aided by the weak A$ and low pork prices currently on offer. The Australian Government has recently announced a package of assistance to the Australian pork industry which aims to encourage the industry to be more export orientated. The package also includes assistance to the Australian processing sector (see report AS8031).

Industry sources indicate that Danish involvement in a NSW operation is seen as a method for the Danish industry to circumvent environmental problems, which are limiting their production. The Danish push into Australia was recently bolstered by the announcement of a joint venture plan to build a piggery in Queensland with a capacity of one million pigs per year (see Report AS7048). These piggeries are stated to be aimed at Asian markets.

Australia has permitted pork imports from Canada since 1990, following a favorable investigation by the Australian Quarantine and Inspection Service (AQIS). This led to imports increasing from around 600 MT in 1990, to over 8,800 MT during 1997. Imports during 1998 are expected to decrease to around half the 1998 level due to low world price and the sharp depreciation of the A$.

The Australian pork industry has shown extreme concern at the level of imports that they claim are being sold below the cost of production. This concern resulted in the Australian Government instructing the Industry Commission to take a fresh look at Canadian imports. The Industry Commission reported in December 1995 and found few grounds for any assistance to the Australian industry.

The recent crisis in the industry has seen heated debate in the Australian media which has focused again on the role of pork imports in the current downturn. The Australian Government has responded with a package of assistance which includes a Productivity Commission study into industry complaints against increased imports and whether pig farmers are suffering material harm from trade liberalization and thus should receive safeguard protection under Article 19 of the WTO (see report AS8031). Given the negative results of previous investigations into the effect of imports on the Australian industry it appears unlikely that the current investigation will result in safeguard measures being put in place.

The imports have been all boneless and mainly legs or middles. The Australian industry maintains that while the import volume is small, the imports have led to processors reducing purchases in the normal slow period, beginning in fall, when producers usually store hams for Christmas. They claim processors can now make up the majority of the shortfall later in the year with Canadian imports. The fall in price at Christmas 1997 tend to support this assertion.

The Australian Pork Corporation indicates that to covert PWE to CWE equivalent they use 0.8 for exports (which are mainly carcasses) and 0.56 for imports as they are mainly legs.

Marketing

General

The APC marketing and promotion program includes: media advertising including, television, magazines and trade press; promotional materials, posters, brochures and leaflets; presentations and training sessions for various sectors, including retailers, the food service industry and educational authorities; and, public relations activities, aimed at obtaining favorable editorial coverage about pork in media which are most influential with consumers.

Hides & Skins, Bovine

PSD Table						
Country:	Australia			20.2	<MT piece conversion	
Commodity:	Hides & Skins, Bovine					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	0	0	0	10	0	0
Production In MT	160	166	154	157	0	152
Production In Pieces	8800	9159	8300	8500	0	8200
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	9	0	5	0	5
TOTAL Imports	0	9	0	5	0	5
TOTAL SUPPLY	160	175	154	172	0	157
Intra EC Exports	0	0	0	0	0	0
Other Exports	105	115	99	124	0	110
TOTAL Exports	105	115	99	124	0	110
Domestic Consumption	55	50	55	48	0	47
Ending Stocks	0	10	0	0	0	0
TOTAL DISTRIBUTION	160	175	154	172	0	157
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	114	0	100	0	100

Production

General

Australian cattle hide production ranges from between 7 and 8 million hides annually of varying breeds, size and quality. At present approximately 80 percent are exported in a preserved (salted) condition prior to tanning. Japan, Italy, Hong Kong, Thailand and China are the major destinations.

The Australian tanning industry is expanding and recent developments include the establishment of a hide improvement scheme which will help further expand the local industry. The hide improvement scheme should help alleviate the problem which has existed in the past where some Australian skins have been downgraded due to damage from horns, barbed wire, fire brands, ticks, damage during transport and careless abattoir removal. When producers begin to receive a premium for producing a superior product they will take more care and the overall quality of production will increase. Producers can currently expect to receive about 15 percent of the animals value from the hide.

Hides and skins are considered the most financially important by-products from the Australian livestock industry with Australian cattle hide exports amounting to approximately A$500 million annually.

Consumption

Price Table

Prices Table			
Country: Australia			
Commodity: Hides			
Year:	1998		
Prices in (currency)	AUD	per (uom)	MT
Year	1997	1998	% Change
Jan	2599	2178	-16.2%
Feb	2550	2148	-15.8%
Mar	2525	2252	-10.8%
Apr	2562	2314	-9.7%
May	2520	2267	-10.0%
Jun	2333	2284	-2.1%
Jul	2203	2314	5.0%
Aug	2215		-100.0%
Sep	2207		-100.0%
Oct	2220		-100.0%
Nov	2233		-100.0%
Dec	2228		-100.0%

Note: Prices are for NSW hides, 201-240 kg.
Source: Meat & Livestock Australia

Trade

Export Trade Table

Export Trade Matrix			
Country: Australia		Units:	MT
Commodity: Hides			
Time period:	Cal Year		
Exports for	1997		1998
U.S.	114	U.S.	6
Others		Others	
Japan	24640	Italy	5275
Italy	10698	China	5107
Hong Kong	6800	Japan	4358
Thailand	5434	Thailand	3234
Taiwan	5106	South Africa	1903
Indonesia	4131	Hong Kong	1781
China	2326	Taiwan	1189
South Africa	1818	France	252
Rep of Korea	1015	Russia	242
France	540	Greece	169
Total for Others	62508		23510
Others not listed	52078		18450
Grand Total	114700		41966

Note : 1998 Figures are January-May only.

Import Trade Table

Import Trade Matrix			
Country: Australia		Units:	MT
Commodity: Hides			
Time period:	Cal Year		
Imports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
China	5703	Papua New Guinea	89
Thailand	1483	New Zealand	45
New Zealand	680	Australia	16
Papua New Guinea	222	Ghana	0
Australia	200		
South Africa	137		
Vanuatu	68		
New Caledonia	27		
Denmark	1		
Mexico	0		
Total for Others	8521		150
Others not listed			
Grand Total	8521		150

Note: 1998 Figures are January-May only.

By-Products, Tallow & Grease

PSD Table						
Country:	Australia					
Commodity:	By-Products,Tallow & Grease					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	0	0	0	48	0	26
Production	438	456	414	423	0	408
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	438	456	414	471	0	434
Intra EC Exports	0	0	0	0	0	0
Other Exports	348	313	337	350	0	330
TOTAL Exports	348	313	337	350	0	330
Domestic Consumption	90	95	77	95	0	95
Ending Stocks	0	48	0	26	0	9
TOTAL DISTRIBUTION	438	456	414	471	0	434
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

General

The tallow fat group of by-products consists of the various fat components which remain after rendering (both liquid and solid) and amount to approximately five percent of the carcass weight.

Australian tallow production is generally around 450,000 MT per year although it varies with the slaughter rate. The quality of tallow will continue to be determined by the raw materials used in the rendering process. Raw materials vary according to changes in the ratio of mixed abattoir material to boning material and changes caused by the inclusion of other solid waste.

Approximately two thirds of all tallow production is exported as raw product, the remainder being directed into a wide range of domestic uses. The major domestic use (42 percent) is for edible tallow in the form of deep frying fats/oils, shallow frying fats/oils, salad oil and margarine. It is estimated that sales of fats and oils amounted to A$122 million in 1994/95 and frying oils (which are 100 percent tallow) accounted for 72 percent of these sales. The major end user is the fast food/take away industry while others include restaurants, hotel/motels and clubs. Total annual purchases of tallow for food usage are approximately 70,000 MT, 25,000 MT which are exported, as fat and oils, in a value added form.

Soap and oleo chemicals account for 27 percent of domestic usage, of which around 10,000 MT are used for soap production while oleo chemical production uses approximately 35,000 MT. Oleo chemicals, e.g. oleic acid, glycerine and distilled fatty acids, are made entirely of tallow. Australia has only one oleo chemical manufacturer which exports about 70 percent of the finished product, with Japan being the major destination.

The pig and poultry industries use around 40,000 MT of tallow each year in feed rations, accounting for 24 percent of domestic tallow usage. The remaining seven percent, or approximately 12,000 MT of domestic tallow is used in pet food production.

In export markets Australia is a significant supplier of tallow to China, which remains Australia's largest export market. Other important markets are Pakistan, South Africa, Egypt and Taiwan. Consumption of tallow in China continues to grow at a rapid rate. Changes have occurred in the countries supplying this market. Australia and New Zealand had previously dominated this market however the demand for an increased amount of tallow has created an opportunity for the US to supply a large part of the Chinese market. The Australian industry reports that Australian tallow is regarded as superior to the US product, thus this should enable Australia to maintain an ample share of the higher quality end of the market.

Consumption

Price Table

Prices Table			
Country:	Australia		
Commodity:	Tallow		
Year:	1998		
Prices in (currency)	AUD	per (uom)	MT
Year	1997	1998	% Change
Jan	583	670	14.9%
Feb	613	653	6.5%
Mar	595	680	14.3%
Apr	583	713	22.3%
May	552	743	34.6%
Jun	530	730	37.7%
Jul	519	670	29.1%
Aug	522		-100.0%
Sep	557		-100.0%
Oct	647		-100.0%
Nov	723		-100.0%
Dec	702		-100.0%

Source: Meat & Livestock Australia

Trade

Export Trade Table

Export Trade Matrix			
Country:	Australia	Units:	MT
Commodity:	Tallow		
Time period:	Cal Year		
Exports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
China	65654	Egypt	29015
Taiwan	50343	China	25677
Pakistan	46996	Taiwan	20239
South Africa	28653	South Africa	19348
Iran	15960	Pakistan	15354
Egypt	14889	Mozambique	6737
Rep of Korea	13110	Bangladesh	6717
Bangladesh	11522	Sri Lanka	5537
Mozambique	11106	Sudan	2825
Sri Lanka	9808	Mauritius	2818
Total for Others	268041		134267
Others not listed	44654		8634
Grand Total	312695		142901

NOTE: 1998 Figures are January-May only.

Import Trade Table

Import Trade Matrix			
Country:	Australia	Units:	MT
Commodity:	Tallow		
Time period:	Cal Year		
Imports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
New Zealand	145		0
Australia	1		
United Kingdom	0		
Total for Others	146		0
Others not listed			
Grand Total	146		0

NOTE: 1998 Figures are January-May only.