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Prepared By: Zeljko Biki

Approved By: Gerald Smith

Report Highlights:

Australian beef supply is forecast to recover in 2024 to the point of reaching the sixth highest production on record. The 2024 forecast is after a significant turning point in 2023, where production is estimated to grow by 16 percent from the lows of 2021 and 2022 not seen for 25 years because of a strong herd rebuild phase restricting cattle supply for processing. Beef exports are forecast to reach the fourth highest on record in 2024 and regain some market share in three of its biggest Asian market destinations. Australian pork production is forecast to increase slightly in 2024 after strong growth in 2023. The rise in pork production is forecast to result in a slight increase in exports but lower than usual imports. Pork imports from the United States are expected to revert to past dominance of in excess of half of overall imports.

EXECUTIVE SUMMARY

Australian beef supply is forecast to continue to recover in 2024 to the point of reaching the sixth highest production on record. The previous five peak production results over the last decade are all largely associated with destocking due to drought conditions. The 2024 forecast is after a big turning point in 2023 where production is estimated to grow by 16 percent from the lows of 2021 and 2022 not seen for 25 years because of a strong herd rebuild phase restricting cattle supply for processing.

The herd rebuild phase in Australia is nearing completion after the growth in female slaughter rates in 2023 is approaching the long-term average. With increasing supply of beef in 2023, cattle prices have fallen by over 40 percent since the end of 2022, and falls in retail beef prices are beginning to be seen in the second half of 2023 and are expected to continue into 2024. This is expected to support beef consumption for 2024, despite the increasing cost of living pressures affecting Australian consumers brought about by a widening gap between high inflation and wage growth. The lower beef cattle prices are forecast to support a 36 percent growth in live cattle exports for 2024, albeit this is from a very low level in 2023 not seen for over 25 years.

With greater production, beef exports are forecast to reach the fourth highest on record in 2024. Fortuitously for Australia this is at a time when United States beef production and exports are expected to decline as the industry continues its own herd rebuild after drought. The main beef export destinations for both nations are China, Japan and South Korea and Australia will have the opportunity to regain some of the market share it lost in recent years when its export supply was low.

Australian pork production is forecast to increase slightly in 2024 after strong growth in 2023 which has been spurred on by the rapid rise in beef and lamb prices in Australia in recent years. The rise in pork production is forecast to result in a small increase in exports but more so lower than usual imports. The cost of pork imports from the United States has reverted back to being lower than from the European Union (EU) during 2023 which is expected to continue into 2024. With this, imports from the United States are expected to return to past dominance, accounting for over half of total imports.

CATTLE

Table 1 - Production, Supply, and Distribution of Cattle Numbers for Australia

Animal Numbers, Cattle	2022		2023		2024	
Market Year Begins	Jan 2022		Jan 2023		Jan 2024	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks (1000 HEAD)	23944	23944	25800	25800	0	27430
Dairy Cows Beg. Stocks (1000 HEAD)	1420	1335	1375	1325	0	1300
Beef Cows Beg. Stocks (1000 HEAD)	10600	10600	12000	12000	0	12000
Production (Calf Crop) (1000 HEAD)	8760	8760	9500	9500	0	9000
Total Imports (1000 HEAD)	0	0	0	0	0	0
Total Supply (1000 HEAD)	32704	32704	35300	35300	0	36430
Total Exports (1000 HEAD)	593	593	650	550	0	750
Cow Slaughter (1000 HEAD)	2504	2504	2850	3050	0	3200
Calf Slaughter (1000 HEAD)	265	265	250	320	0	400
Other Slaughter (1000 HEAD)	3346	3346	3600	3750	0	3900
Total Slaughter (1000 HEAD)	6115	6115	6700	7120	0	7500
Loss and Residual (1000 HEAD)	196	196	200	200	0	200
Ending Inventories (1000 HEAD)	25800	25800	27750	27430	0	27980
Total Distribution (1000 HEAD)	32704	32704	35300	35300	0	36430
(1000 HEAD)						

Production

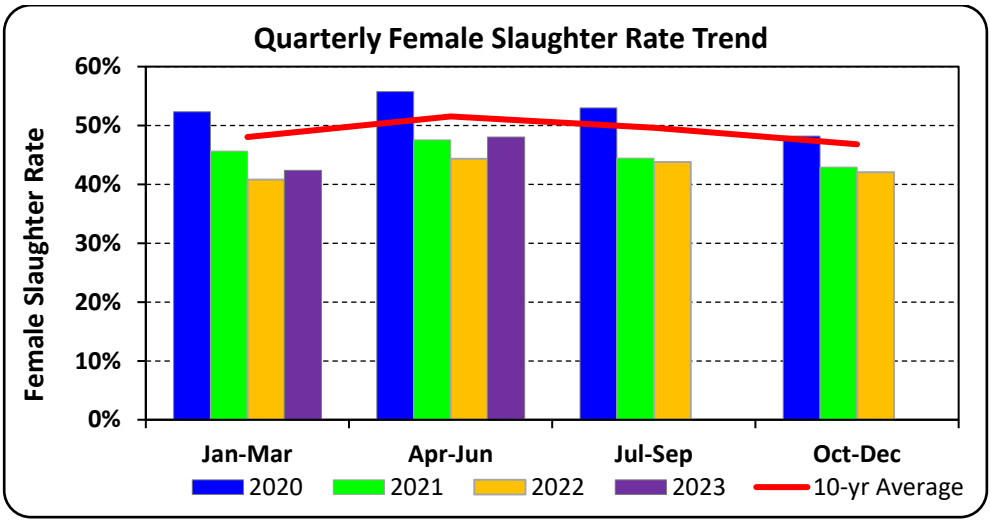
2024

Cattle (calf crop) production in 2024 is forecast to decline from the prior year. The key factors are that female slaughter rates have begun increasing in 2023 indicating that the herd rebuild (including breeder numbers) is nearing its endpoint. This is following a national herd growth period subsequent to the multi-year drought in 2017 to 2019. A further factor is that the forecast of dry conditions is expected to have some negative impact on conception and subsequent birthing rates after recent exceptional seasonal conditions.

Female slaughter rates are anticipated to return to around long-term average levels in 2024 after the trend of low slaughter rates in 2021 and 2022 began to moderate from the start of 2023 and in particular the second quarter of 2023 (see Figure 1). This marks the start of the slowdown in the growth of Australia’s beef herd which is expected to continue into 2024.

The Australian Bureau of Meteorology has issued an El Niño alert. If all El Niño indicators are met and conditions progress to an El Niño event, then this typically decreases winter-spring rainfall for much of Australia. The current forecast is for below average rainfall and above average temperatures in the coming months across much of Australia. If such conditions prevail, this will have a significant impact on the more southern temperate regions which rely on spring rains to produce feed and carry stock through the summer and into the fall period. Lower feed availability in spring (September to November) when most cattle in the temperate regions are mated will have some negative impact on conception rates and subsequent birth rates in 2024.

Figure 1 – Quarterly Female Slaughter Rate Trend



Source: *Australian Bureau of Statistics*

Much of Australia's cattle production is in the northern parts of Australia, which is influenced by the tropical wet season rains, mainly from December to March each year. Whether or not the looming El Niño forms and subsequently persists to negatively influence the tropical wet season rains in 2024 is yet unclear. However, most beef calves in the tropical north are born during the wet season period so the birth rates are unlikely to be impacted if an El Niño forms and persists in the upcoming wet season period but could affect conception and birth rates for 2025.

2023

FAS/Canberra's cattle (calf crop) production for 2023 is unchanged and remains in line with the USDA official estimate.

Slaughter

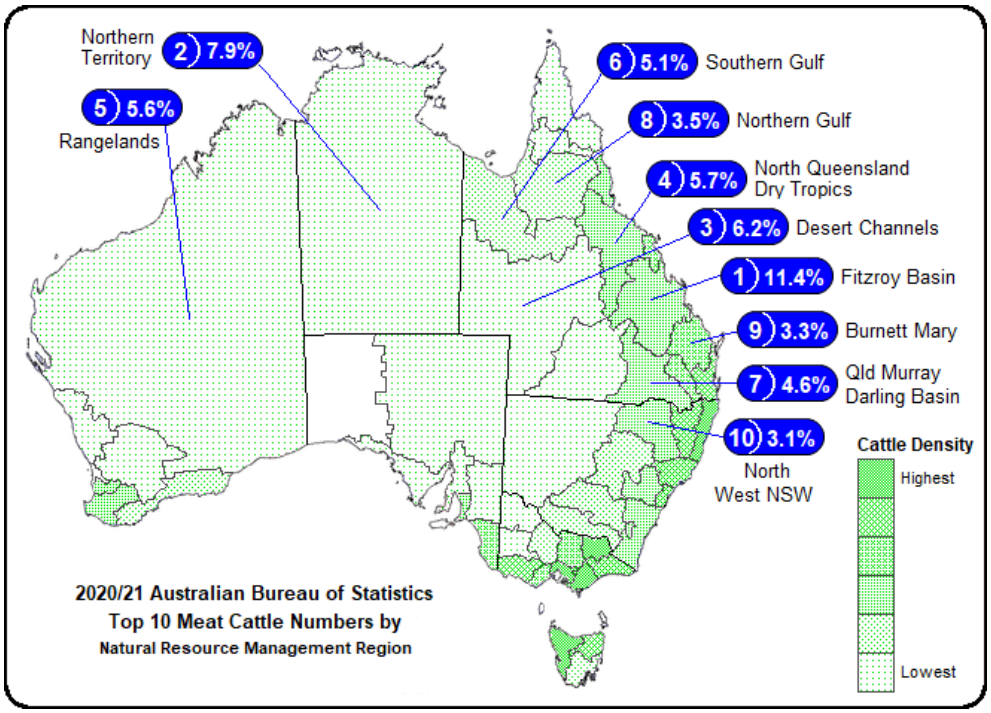
2024

FAS/Canberra forecasts an increase in cattle slaughter in 2024 to 7.5 million head, a 380,000 head increase over the upward revised 2023 estimate of 7.1 million head. As part of the herd rebuild, young cattle numbers have built up to an extent that, in conjunction with broadly good pasture production conditions so far in 2023, particularly for the tropical rainfall influenced northern parts of Australia, the number of cattle ready for slaughter will increase in 2024. Also contributing to the rise is an anticipated increase in calf slaughter caused by a fall in beef cattle prices.

Seven of the top ten beef producing regions are located in Queensland (see Figure 2) and rainfall in the first seven months of 2023 for central and northern Queensland, the Northern Territory and northern Western Australia has been well above average (see Figure 3) after exceptional wet season rainfalls. This is a positive scenario in relation to cattle production, particularly for the northern parts of Australia.

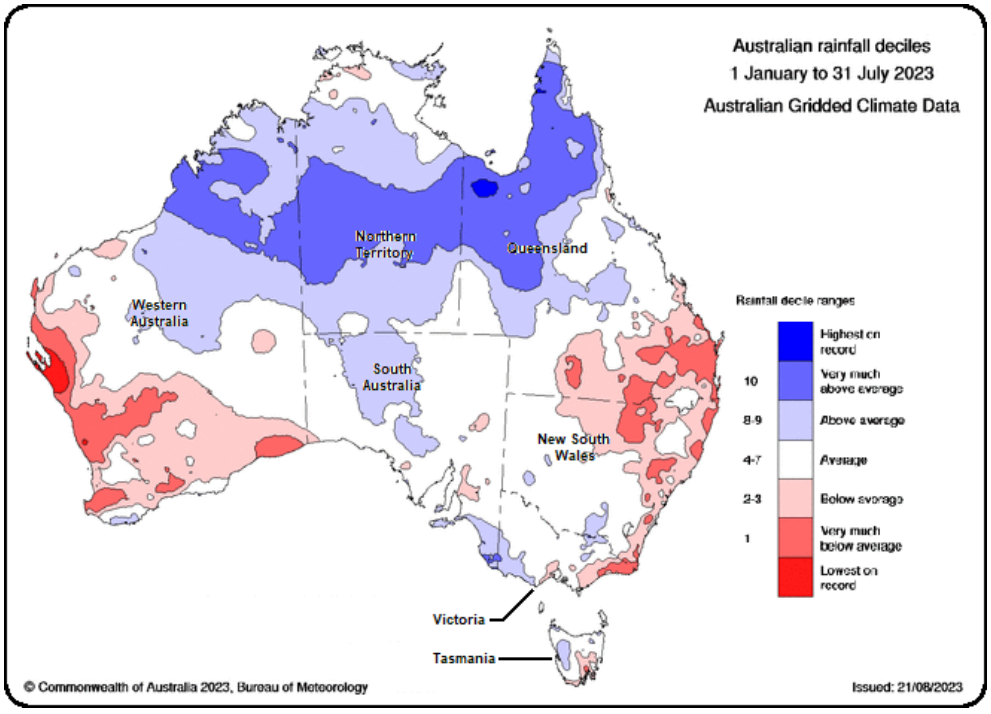
However, this is partly moderated by the southern parts of Queensland, which is an important area for cattle production, experiencing below average rainfalls so far in 2023.

Figure 2 – Top 10 Livestock Cattle Numbers by Natural Resource Management Region



Source: *Australian Bureau of Statistics*

Figure 3 – Rainfall Decile Map Jan-Jul 2023

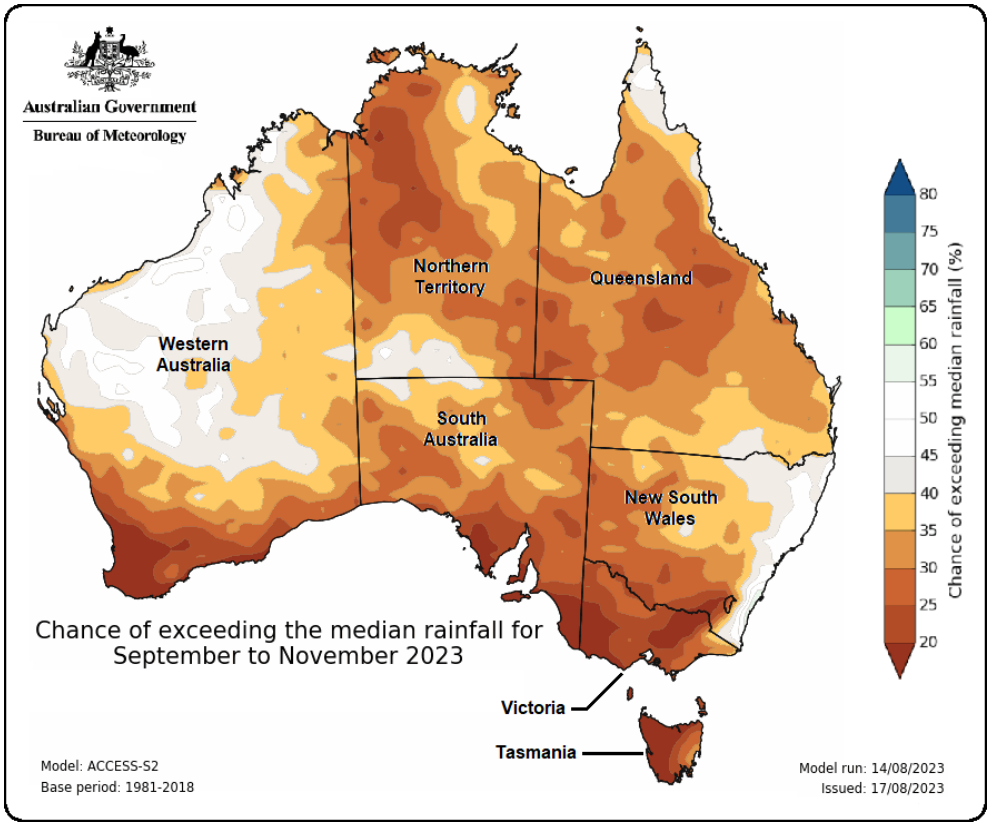


Source: *Bureau of Meteorology*

The Bureau of Meteorology forecasts a high chance of below-average rainfall across much of the country for September to November 2023 (see Figure 4). If such conditions prevail, they will have a particularly negative impact on cattle production for processing in the more southern temperate areas. These areas are dependent upon spring rainfalls to produce grass feed and carry cattle through the summer and into the fall of 2024. A shortfall of grass feed may result in an uplift in cattle sent to feedlots to reduce stocking rates and finish cattle for processing sooner, particularly from central and northern New South Wales and southern Queensland which have been drier than usual so far this year. This would slightly lift the cattle slaughter number for the final quarter of 2023 and reduce the growth for 2024.

The potential bringing forward of cattle slaughter from 2024 to 2023 via an uplift in cattle finished via feedlots will be tempered by processor capacity. Industry reports that processors are still having challenges finding enough labor to establish more shifts and process more cattle. Many processors are reporting that they are fully booked more than one month in advance, and some are booking places beyond that but without price offers. There are reports that some more processor capacity is likely to come online during 2024 which should satisfy the lift in forecast cattle slaughter numbers for 2024 from the 2023 estimate.

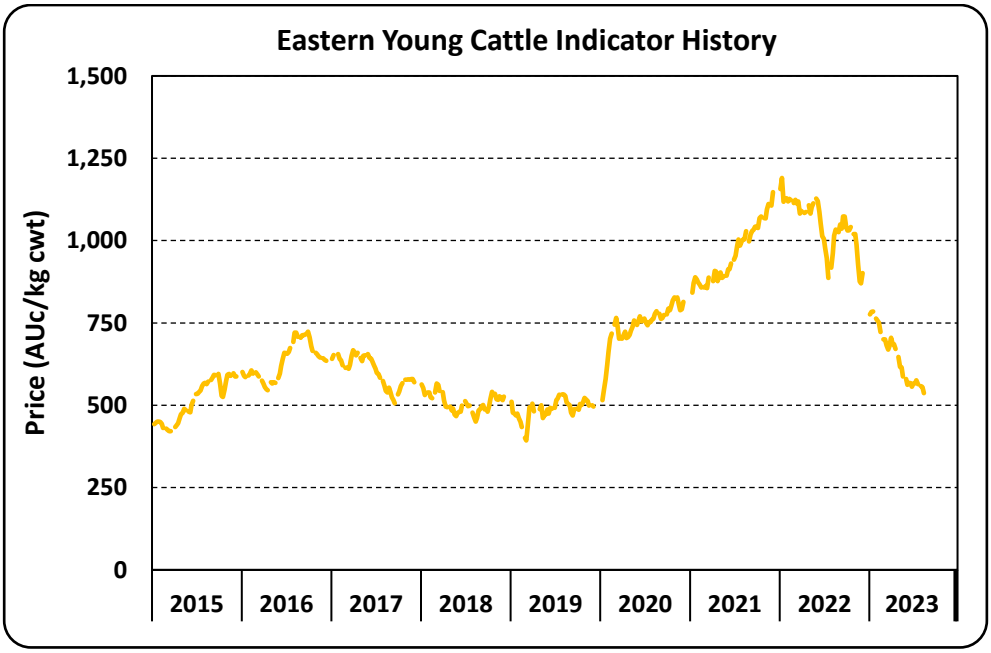
Figure 4 – Rainfall Forecast – September to November 2023



Source: Bureau of Meteorology

Calf slaughter numbers are forecast to increase in 2024 as a result of the big fall in cattle prices of over 40 percent from the end of 2022 (see Figure 5). The big fall in beef cattle prices since the end of 2022 is expected to result in less interest in producing dairy-beef cattle for beef meat. As a result, calf slaughter for 2024 is expected to rise from an already increasing number in 2023.

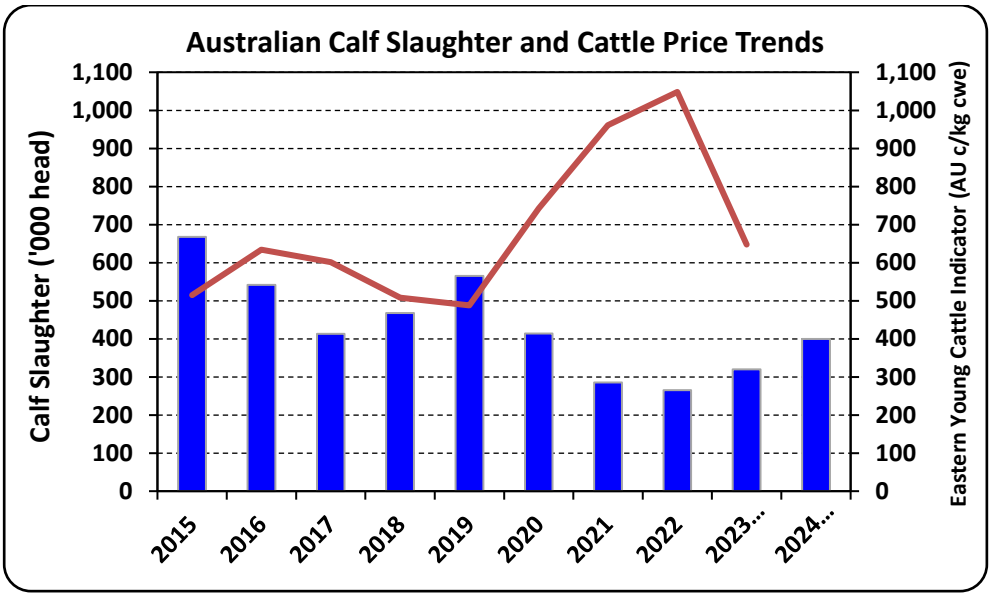
Figure 5 – Eastern Young Cattle Indicator History



Source: *Meat and Livestock Australia*

There had been a trend over recent years of falling calf slaughter numbers, particularly evident from 2020 to 2022. This was as a result of farmers looking to take advantage of very high cattle prices during those years (see Figure 6). With the increasing adoption of sexed semen usage by dairy farmers, they are better able to target their artificial insemination programs for both the live dairy heifer export trade and males for beef production. The Holstein-Friesian, which makes up the majority of the Australian dairy herd, is known for its meat marbling capacity and grass-fed dairy beef production had been expanding, but feedlots in recent years have also been showing some interest in growing out dairy cattle for beef.

Figure 6 – Australian Calf Slaughter and Cattle Price Trends



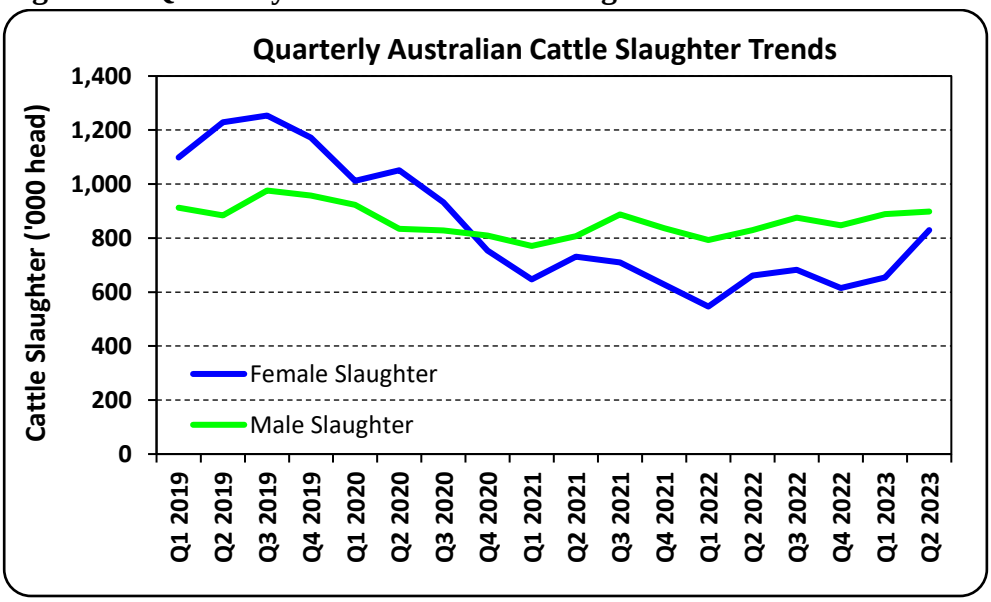
Source: *Australian Bureau of Statistics*

Note: *Easter Young Cattle Indicator price for 2023 is the average for Jan to Aug 2023*

2023

FAS/Canberra has substantially upward revised the 2023 slaughter number estimate to 7.1 million head from the official USDA estimate of 6.7 million head. This increase is mainly due to signs that the herd rebuild phase is nearing an end and is resulting in not only a higher level of male slaughter, but also a growing volume of female slaughter which is particularly evident in the second quarter of 2023 (see Figure 7).

Figure 7 – Quarterly Australian Cattle Slaughter Trends



Source: *Australian Bureau of Statistics*

The total slaughter number for the first half of 2023 of 3.41 million head is 17 percent higher than last year's 2.92 million head. Typically, the cattle slaughter for the first half of the year is marginally below half of the full year level. For 2023 the demand for cattle processing has been strengthening and is expected to remain strong for the second half of the year. This is based on reports that many processors have in recent months been fully booked more than a month in advance. On this basis, the proportion of slaughter volume in the back half of 2023 is anticipated to be stronger than usual supporting the upward revised estimate.

Trade

2024

FAS/Canberra forecasts cattle exports in 2024 to increase to 750,000 head from a downward revised estimate of 550,000 head in 2023. Although this is a substantial 36 percent increase for 2024 it is still far below peaks of 1.3 million head achieved on three occasions over the last 10 years. This is also from a very low estimate for 2023 not seen for over 25 years. The key reason for this relatively modest forecast export increase is that during the first half of 2023 the price of cattle has become far more cost competitive for Australia's major cattle export destinations. These lower cattle prices are expected to continue into 2024 with Australia reaching the tail end of its herd rebuild phase and even more cattle becoming available for a range of domestic and export markets in 2024.

Most of the beef cattle sourced for the live export trade are from the northern part of the Northern Territory, north Queensland and Western Australia. These regions represent two thirds of all live cattle exports from Australia (see Figure 8). The other key live export port is Portland in Victoria which is more focused on the live dairy cattle trade due to its proximity to a major dairy farming region, which in typical circumstances when live export volumes are high represents around 10 percent of the overall volume of trade compared to the 2022 level of 21 percent.

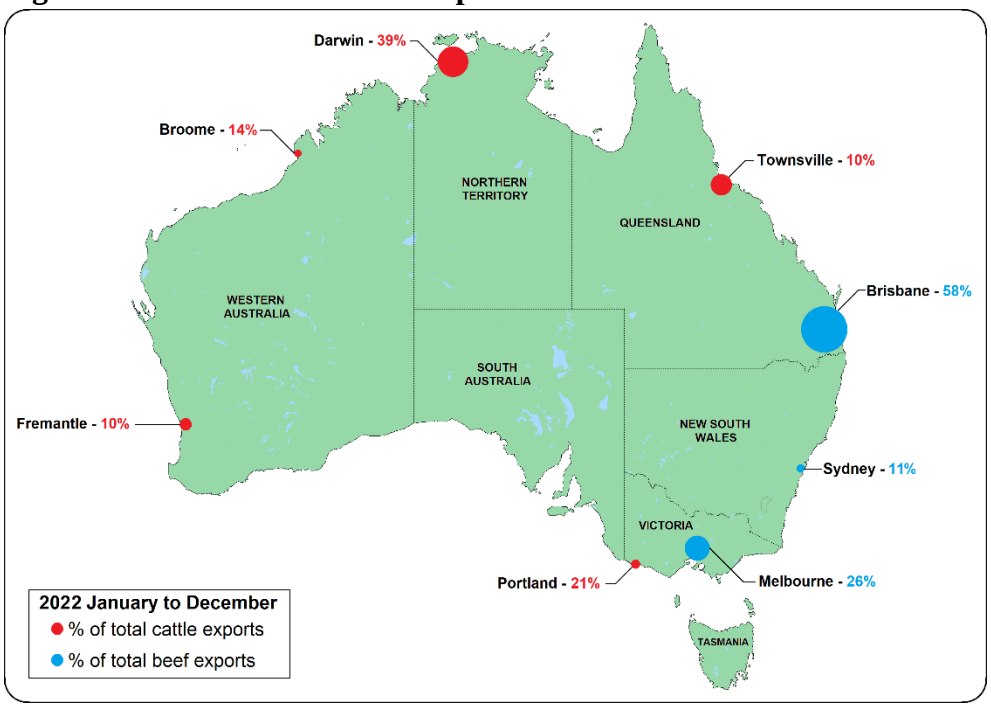
The exceptionally good wet season that northern Australia experienced in early 2023 (see Figure 3) will place the region well to have ample supply of stock for the live export trade in 2024, particularly after a herd rebuild phase in recent years. Albeit the herd rebuild has perhaps not been as strong as the more southern parts of Australia due to mixed wet season rainfall outcomes in recent years.

Many suppliers to the Townsville port, have alternate options of selling their cattle to restockers and feedlots. The demand and price differences between the live export and domestic market options will influence producer decision making and consequently the volume of cattle sold for the live export trade. It is anticipated that with increasing volumes of cattle becoming available for domestic purposes in 2024 that the live export market option will be competitive and support the forecast rise in live cattle exports.

Key factors that continue to linger in Indonesia, Australia's key live cattle export market, are foot and mouth disease (FMD) and lumpy skin disease (LSD). This has affected trade in 2022 and 2023 but the

impact of these issues from within Indonesia had been dissipating. But, in August 2023 a small number of Australian livestock were detected with LSD some days after arriving in Indonesia. In response, the Indonesian government and subsequently the Malaysian government suspended trade with half of the registered pre-export quarantine depots in the Northern Territory, Western Australia and Queensland. Trade via the other depots is free to continue. Work is being carried out in Australia and Indonesia to understand the point of origin of the LSD infection in the Australian cattle. If not for this uncertainty a higher forecast for 2024 would be set, given the lower current cattle prices that are expected to continue into 2024 which are favoring the trade.

Figure 8 – Livestock and Beef Export Ports



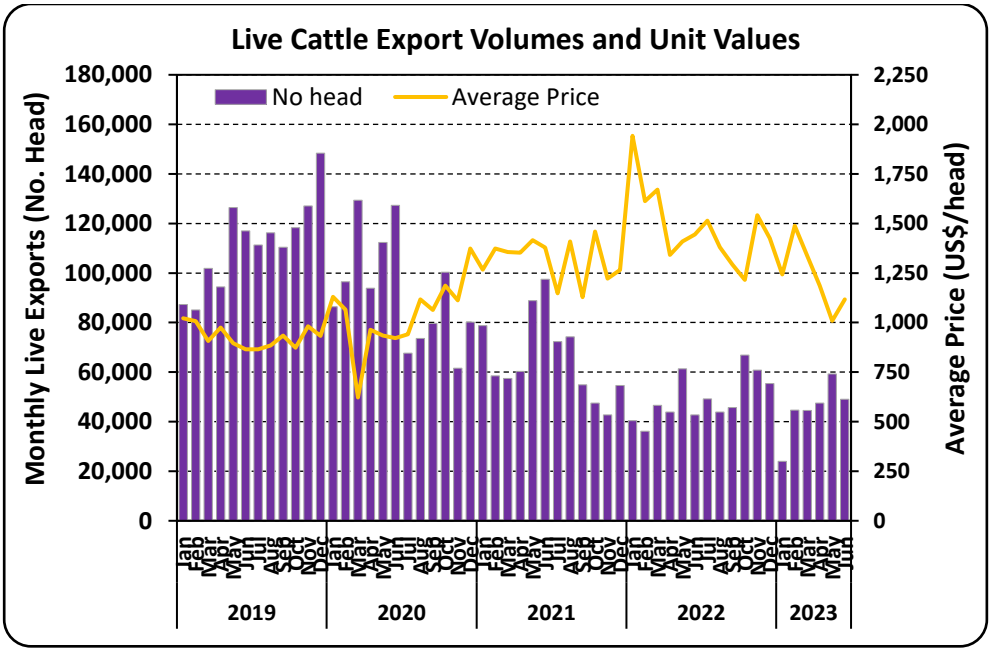
Source: Australian Bureau of Statistics

2023

The FAS/Canberra estimate for 2023 live cattle exports is 550,000 head, a 100,000 head decrease from the official USDA estimate. If realized, this will be the lowest volume of live cattle trade in over 25 years. Shipments for the first six months of 2022 are at 267,000 head, and on average over the last five years exports in the first half of the year have been near half of the final year result. On this basis the final outcome for 2023 would fall a little short of the 550,000 head estimate. However, past outcomes have shown a good correlation between export volumes and price (see Figure 9) and there has been a rapid decline in the price of cattle for live exports during the first half of 2023. Industry sources have reported that the current lower prices have drawn increased interest in the trade for the second half of the year.

As mentioned, findings of LSD in a small number of Australian cattle some days after arriving in Indonesia in August 2023 has resulted in the suspension of cattle to Indonesia and Malaysia from four of the eight registered pre-export quarantine depots in northern Australia. The other four quarantine depots are free to continue to trade, although there is likely to be some reluctance in the current circumstances. There are reports that the Australian Department of Agriculture has completed testing of cattle from the four suspended sites and other locations and properties of origin. The findings are reported to have been sent to the Indonesian and Malaysian governments for review and is anticipated to progress further discussions to resolve the matter as promptly as possible. There is adequate capacity for the four unaffected registered pre-export quarantine depots to continue to trade and meet the full year export estimate. The situation is currently negating the positive trade interest from the lower cattle prices, and if not for the current partial suspension of trade, a higher export estimate for 2023 would be anticipated.

Figure 9 – Live Cattle Export Volumes and Unit Values



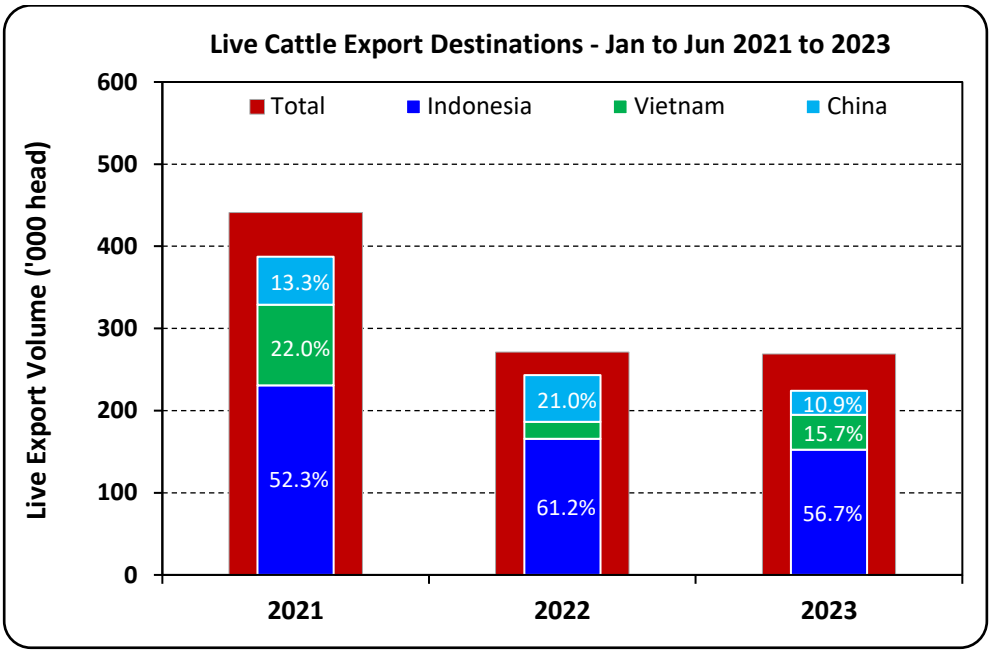
Source: Australian Bureau of Statistics

The major live export destinations for beef cattle are Indonesia and Vietnam, which have a preference for Bos Indicus (tropical breed) cattle to suit their conditions. There is also a significant trade to China, but this is driven by the dairy heifer trade rather than beef cattle. Interestingly, the live cattle trade to Vietnam, although significantly smaller than to Indonesia, has fallen by a far greater degree than that to Indonesia in 2022. However, for the first half of 2023 the volume of trade to Vietnam has more than doubled than for the same period in 2022 (see Figure 10). This is reported to be driven by the lower price of cattle.

Vietnam sources mainly slaughter-weight cattle from Australia, which typically go into their feedlots for only a short period. In feedlots, typically when cattle are kept for an extended period of time, such as

around 100 days for Indonesia, the high price of cattle at entry can be averaged down (on a cost per kilogram basis) if feed costs are low, enabling finished cattle to be sold at a lower unit cost (price per kilogram) than the original purchase price while still maintaining profitability in the feedlot. However, in Vietnam where the feedlot period is short, there is little scope to average down the unit cost of the cattle with low feed costs. So, the live export market to Vietnam is very dependent upon the cattle purchase price and shipping costs.

Figure 10 – Live cattle Export Destinations – Jan to Jun 2021 to 2023



Source: *Australian Bureau of Statistics*

BEEF

Table 2 - Production, Supply, and Distribution of Beef and Veal Meat for Australia

Meat, Beef and Veal	2022		2023		2024	
Market Year Begins	Jan 2022		Jan 2023		Jan 2024	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	6115	6115	6700	7120	0	7500
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	1878	1878	2060	2170	0	2250
Total Imports (1000 MT CWE)	24	24	20	25	0	25
Total Supply (1000 MT CWE)	1902	1902	2080	2195	0	2275
Total Exports (1000 MT CWE)	1238	1244	1425	1530	0	1600
Human Dom. Consumption (1000 MT CWE)	664	658	655	665	0	675
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	664	658	655	665	0	675
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	1902	1902	2080	2195	0	2275
(1000 HEAD) ,(1000 MT CWE)						

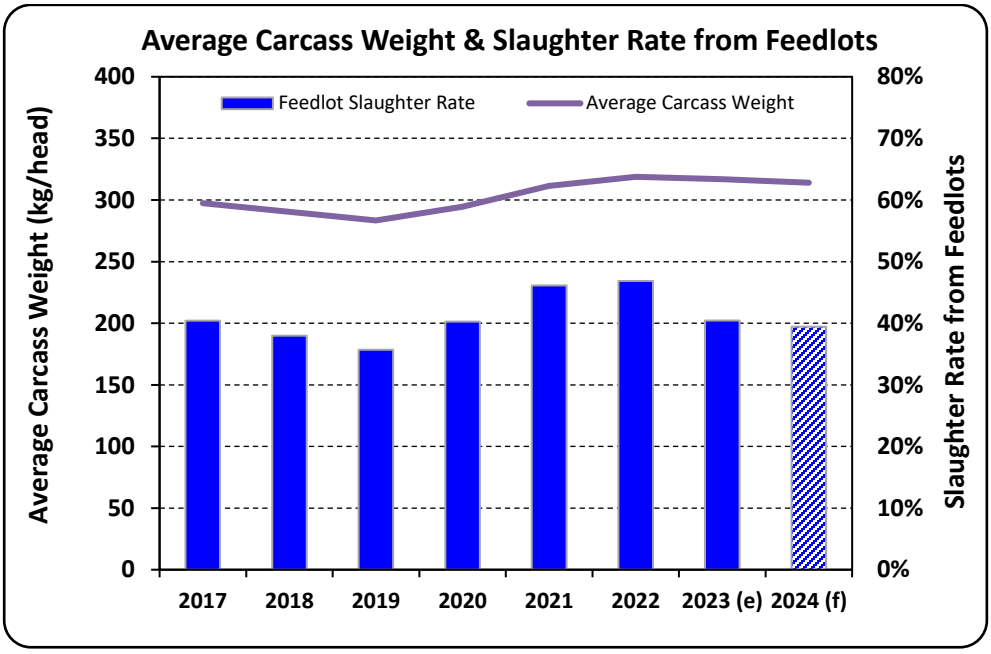
Production

2024

FAS/Canberra forecasts beef production in 2024 to increase by four percent to 2.25 million metric tons (MMT) Carcass Weight Equivalent (CWE) relative to the upward revised 2023 estimate of 2.17 MMT (CWE). If the forecast is realized, it would be the sixth highest production on record. Of particular importance to note is that the previous five peak production results over the last decade are all largely associated with destocking due to drought conditions. The forecast four percent increase in beef production correlates with an expected five percent increase in the cattle slaughter volume. But slaughter weights are expected to decline slightly with an anticipated lower proportion of total slaughter from feedlot cattle, higher rate of female slaughter and also an increase in calf slaughter numbers.

For 2024 there is an expectation that overall slaughter numbers will increase, but the proportion of feedlot cattle will decrease marginally. This is despite number of feedlot cattle to continue to rise, but slaughter of grass-fed animals is expected to increase by a little more. Based on past trends, the average carcass weight for adult cattle slaughtered (excludes calves) is expected to decline in the forecast year to 314 kg/head, compared to an estimated near 317 kg/head for 2023 (see Figure 11). Typically, grass-fed finished cattle on average have lower slaughter weights than cattle finished in feedlots.

Figure 11 – Average Carcass Weight and Feedlot Slaughter Rate Trend



Source: *Australian Bureau of Statistics*

Note: *(e) = estimate, (f) = forecast*

Slaughter Rate from Feedlots is the percentage of national slaughter from feedlot cattle

Dry conditions reducing pasture growth and the stage of the national herd rebuild, which influence the proportion of female slaughter numbers, are impacting on the forecast reduction in average carcass

weight (excluding calves) for 2024. As previously mentioned, the below average rainfalls in southern Queensland and northern New South Wales so far in 2023 (see Figure 3) along with the forecast of below average rainfall in the coming months (see Figure 4) is likely to have an impact on pasture production particularly in the more southern temperate climate regions which are dependent upon good spring rainfalls. If the rainfall forecast prevails, lower pasture production will negatively impact weight gains of cattle that farmers plan to send for processing in 2024.

Female slaughter weights are on average lower than that of males, and the increasing proportion of female slaughter evident in the first half of 2023 (see Figure 1) is expected to continue its trend towards the long-term average for the remainder of 2023 and in 2024. The anticipated higher female slaughter rate is expected to contribute to the expected lower average carcass weight forecast for 2024.

Additionally, the five percent increase in calf slaughter compared to the four percent increase in the overall slaughter number for the forecast year is influencing the lower rate of beef production increase relative to the growth in overall cattle slaughter numbers.

2023

The FAS/Canberra beef production estimate for 2023 is revised up by five percent to 2.17 MMT (CWE) from the official USDA estimate of 2.06 MMT (CWE). For the first half of 2023 beef production is 1.05 MMT (CWE), 15 percent higher than the 911,185 metric tons carcass weight equivalent (MT (CWE)) for the first half of 2022. As previously mentioned, cattle slaughter for the first half of the year is usually marginally below half of the full year level and expectations for the second half of 2023 are strong so the upward revised estimate is well within reach.

Consumption

2024

FAS/Canberra forecasts a small increase in domestic beef consumption to 675,000 MT (CWE) in 2024 from the upward revised 2023 estimate of 665,000 MT (CWE). This increase is related to the forecast rise in beef production which in turn is anticipated to result in a decline in retail beef meat prices in the second half of 2023 and into 2024. This is expected to improve the competitiveness of beef compared to other meats, but it will still by far be the most expensive of the major meats (beef, lamb, pork and poultry). But the big rise in the cost of living experienced in 2022 and 2023, is expected to continue to have a dampening effect on beef consumption, hindering a greater rise in forecast beef consumption for 2024.

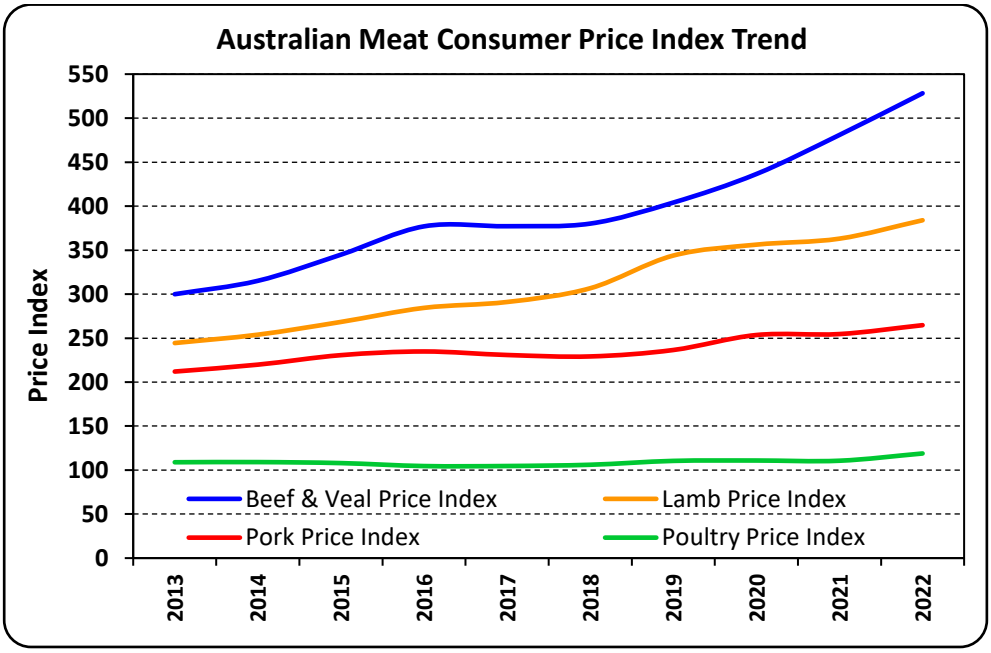
2023

The FAS/Canberra beef consumption estimate for 2023 has been revised up to 665,000 MT (CWE) from the official USDA estimate of 655,000 MT (CWE) and the revised estimate is also slightly higher than for 2022. With strong population growth for 2023 forecast by the Australian government, this small growth in overall beef consumption still represents a decline in per capita consumption. This modest

overall increase in beef consumption is in part driven by population growth and also the anticipation of lower beef meat retail prices in the second half of 2023, but this is being weighed down by being the most expensive of the major meats and the high cost-of-living pressures being experienced by consumers.

The relative price difference between beef and the other major meat proteins – lamb, pork and poultry – has been widening for many years but has accelerated strongly in recent years (see Figure 12) due to the low supply of beef cattle during the national herd rebuilding phase. Despite the average price of beef being around double that of pork and four-fold that of poultry, the per capita consumption of beef is around the same as pork and only half that of poultry. This highlights Australian consumers strong preference for beef and if the retail price of beef declines somewhat in the second half of 2023 and into 2024 as anticipated, even with worsening cost-of-living pressures the per capita consumption of beef is anticipated to be only marginally affected for 2023.

Figure 12 – Meat Consumer Price Index Trend 2013 to 2022



Source: *Australian Bureau of Statistics*

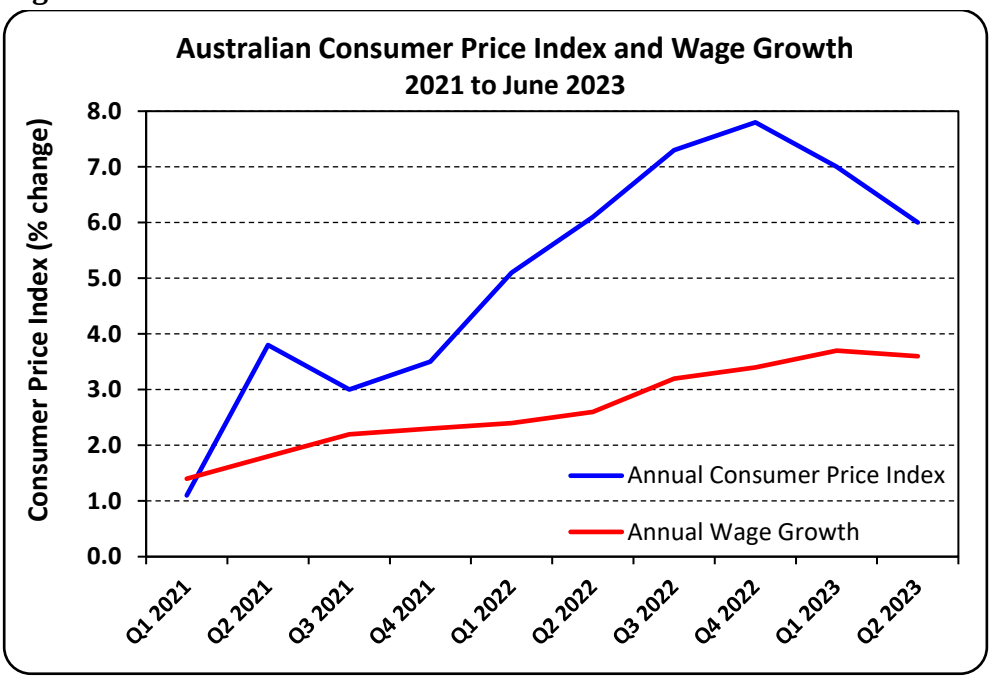
Note: *The Price Indexes are set based on the actual relative average meat prices in 1992 from the Australian Bureau of Statistics. The relative difference in the price indexes is reflective of the actual average meat price differences.*

The Australian Reserve Bank has an inflationary target band of two to three percent. In 2021 inflation in Australia (measured by the consumer price index (CPI)) crept above the target band but from 2022 it has rocketed up well past the target band hitting a peak of 7.8 percent for the fourth quarter of 2022. Since then, inflation has been easing but remains well above the target band (see Figure 13). The primary measure used to curtail inflation has been the rise of interest rates set by the Reserve Bank of Australia

which has been rapidly raised from 0.1 percent in April 2022 to 4.1 percent in June 2023. These impacts have significantly increased costs to consumers and salary (wage) increases have far from kept pace with inflation, leaving consumers with less disposable income and forced to adjust their spending habits, including for food. Consumers are reportedly reducing their expenditure on meats by reducing higher value meat consumption for lower value meats and cuts.

The gap between inflation growth and salary growth is expected to continue for 2023 and into 2024 further eroding consumers disposable income, but at a slowing rate.

Figure 13 – Australian Consumer Price Index Trend 2019 to June 2023



Source: Australian Bureau of Statistics

Trade

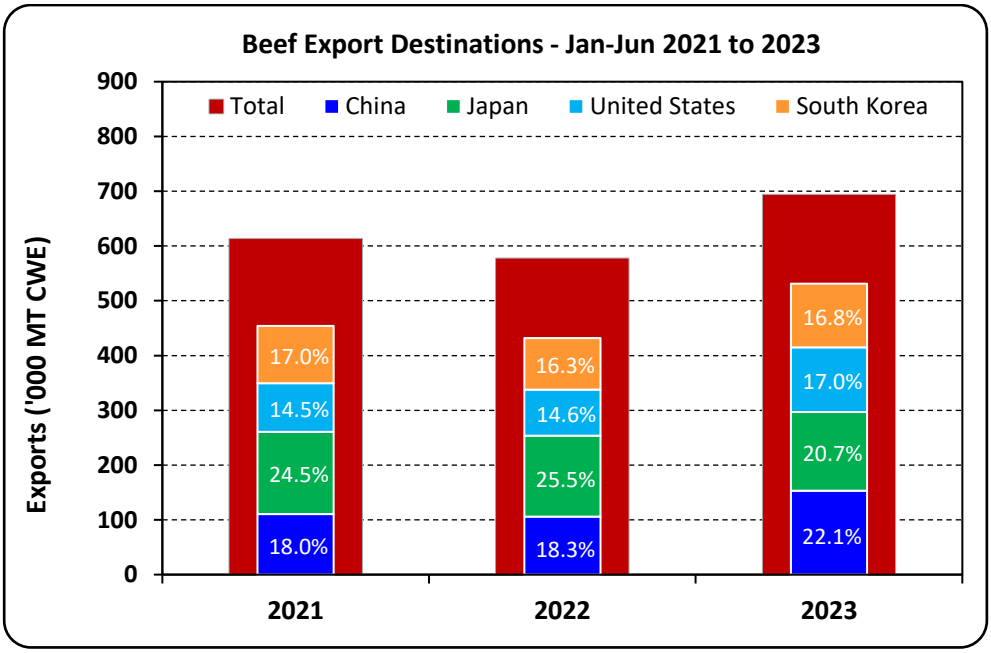
2024

FAS/Canberra forecasts beef exports in 2024 to rise to 1.6 MMT (CWE), up 70,000 MT (CWE) from the upward revised 2023 estimate. If the forecast is realized it would be the fourth highest on record, however exports will still be well below the peak of 1.77 MMT (CWE) in 2015. The forecast increase of beef exports mainly relates to the expected increase in beef production in 2024. This is expected to be supported by increasing female slaughter as Australia approaches the end of its national herd rebuild and this will support higher exports to the United States. With the United States entering its own national herd rebuild after drought, Australia will be well positioned to fill the void of lower exports from the United States.

The four major export destinations (China, Japan, United States and South Korea), have in recent years accounted for over three-quarters of Australian beef exports (see Figure 14). In the first half of 2023,

with an increase in supply of beef for export there has been strong growth in export volumes to three of the four major destinations compared to the same period in 2022. The export volume to Japan in the first half of 2023 is three percent lower, but this still accounts for 21 percent of overall exports. Exports to China and the United States have both grown very strongly at over 40 percent for the first half of 2023 compared to the first half of 2022.

Figure 14 – Beef Export Destinations – Jan-Jun 2021 to 2023

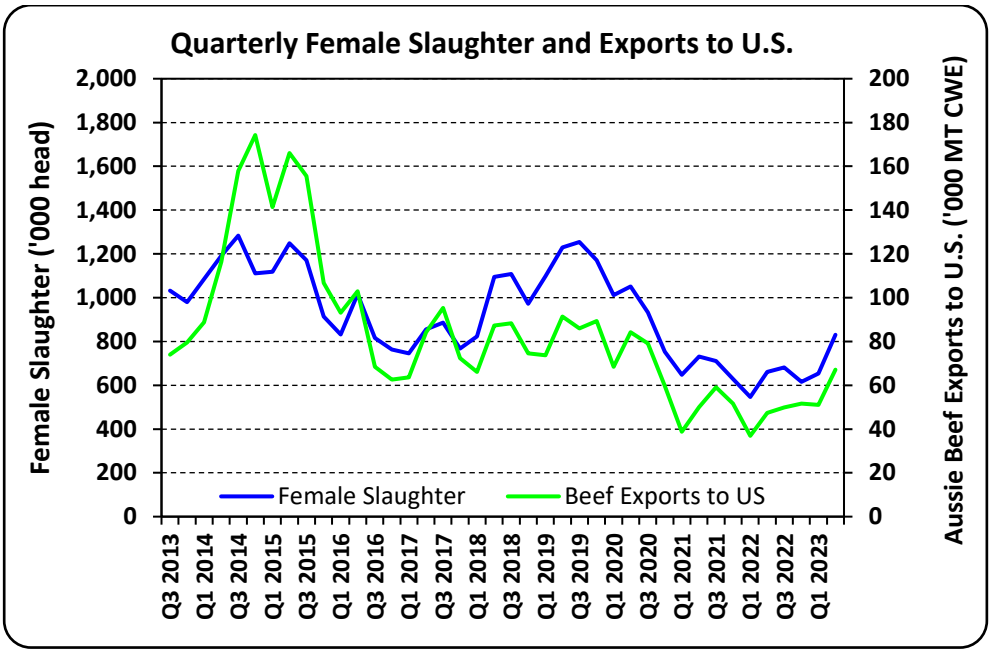


Source: *Australian Bureau of Statistics*

The majority of beef exports to the United States is lean grinding beef mainly from cows. Over the last 10 years there appears to be a relatively strong correlation between female slaughter in Australia and beef exports to the United States (see Figure 15). With an increase in female slaughter of 23 percent in the first half of 2023 compared to the first half of 2022 there has been a very strong 40 percent increase in beef exports to the United States. This rise in female slaughter in Australia, mainly as a result of nearing the end of the national herd rebuild, is expected to continue in the second half of 2023 and with it the strong growth in beef exports to the United States is anticipated to continue.

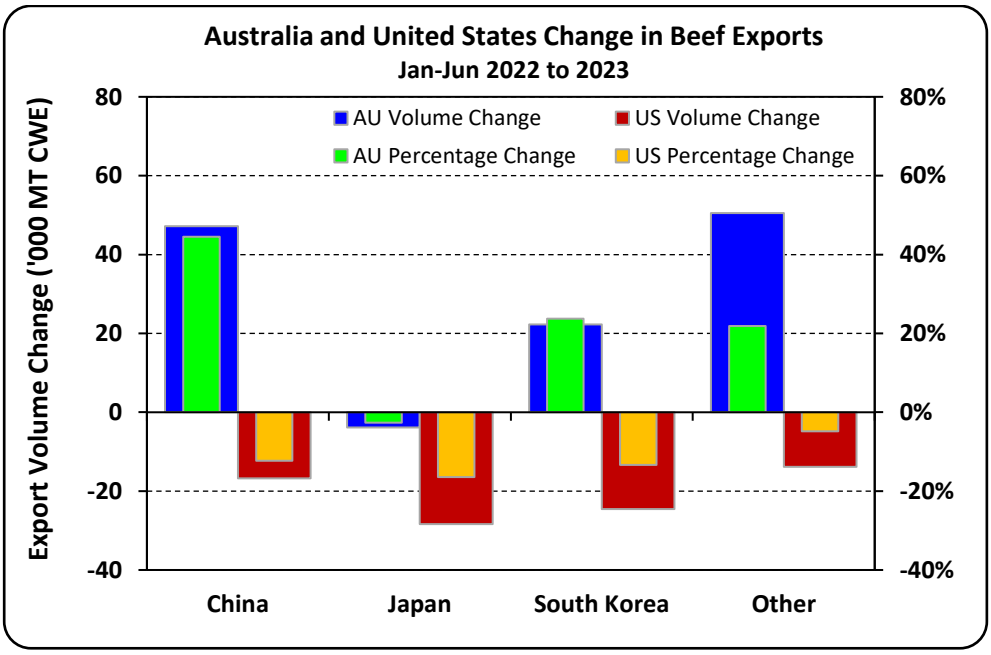
With the United States livestock industry is reported to have now turned towards a national herd rebuild phase after a period of drought, supply of beef for exports has declined by around 11 percent in the first half of 2023. The three major beef export destinations for the United States of South Korea, Japan and China are also major export destinations for Australia. Australia has begun regaining market share to its major beef export destinations from the United States (see Figure 16). With the expectation that reduced beef production in the United States will continue throughout 2023 and into 2024 at a time when Australian production increases, Australia is likely to make further market share gains.

Figure 15 – Quarterly Female Slaughter and Exports to U.S.



Source: *Australian Bureau of Statistics*

Figure 16 – Australia and United States Change in Beef Exports
Jan-Jun 2022 to 2023



Source: *Australian Bureau of Statistics*

2023

FAS/Canberra has revised up the beef export estimate for 2023 to 1.53 MMT (CWE) from the official USDA estimate of 1.43 MMT (CWE). This is a 23 percent increase from the 1.24 MMT (CWE) achieved in 2022. Exports for the first half of 2023 are at 694,362 MT (CWE) compared to 578,189 MT (CWE) in the first half of 2022, equivalent to a 20 percent increase. Seasonally, January and February are low export months, resulting in the first half of the year typically accounting for 48 percent of annual exports. With the anticipation of increasing production in the second half of 2023 the export pace is expected to pick up in the second half of the year.

PORK

Table 3 - Production, Supply, and Distribution of Swine Meat for Australia

Meat, Swine	2022		2023		2024	
Market Year Begins	Jan 2022		Jan 2023		Jan 2024	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	5437	5437	5300	5800	0	5900
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	436	436	425	470	0	480
Total Imports (1000 MT CWE)	241	241	250	210	0	210
Total Supply (1000 MT CWE)	677	677	675	680	0	690
Total Exports (1000 MT CWE)	35	35	35	40	0	45
Human Dom. Consumption (1000 MT CWE)	642	642	640	640	0	645
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	642	642	640	640	0	645
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	677	677	675	680	0	690
(1000 HEAD) ,(1000 MT CWE)						

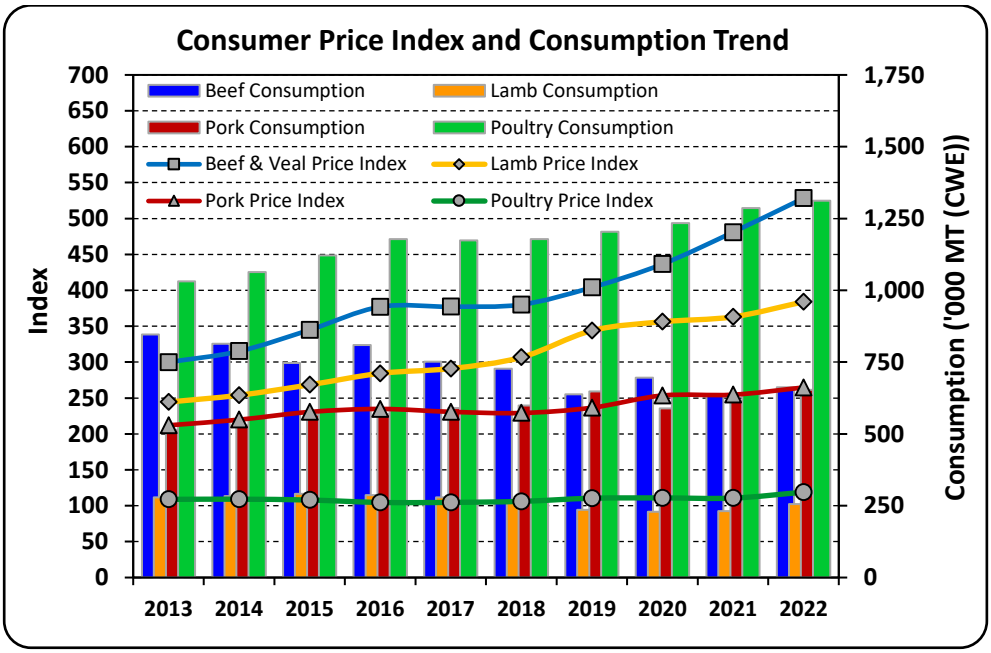
Production

FAS/Canberra forecasts Australia's pork production in 2024 to increase by two percent to 480,000 MT (CWE), from the upward revised 2023 estimate of 470,000 MT (CWE). The rapid growth in beef and lamb prices, during their short supply while these sectors were rebuilding their herd and flock numbers, has spawned an increase in consumers seeking lower cost meat protein alternatives and has encouraged growth in pork production in 2023. The strong growth in pork production in the first half of 2023 is expected to flow into early 2024. However, only a small overall growth in pork production is forecast for 2024 as a result of an expectation that lower cattle and sheep prices will filter through to retail meat prices in the back half of 2023 and into 2024. This is anticipated to trigger the onset of adjustment in pork production.

Australia exports less than ten percent of the pork that it produces, and it imports far more than it exports. Australian pork production is strongly influenced by pork import prices, as well as competition from other major meat protein sources. The main competing meat protein sources for pork are poultry, beef and lamb. From 2019 at the tail end of a multi-year drought when supply of cattle and lambs for processing began to dwindle, and the three subsequent years to 2022 when supply was further reduced

while cattle and lamb producers were rebuilding the national herd and flock numbers, the price of beef and lamb escalated. During the same period, although the price of pork increased it was to a far lesser degree than for beef and lamb, while the price of poultry only very moderately increased (see Figure 17). With this price dynamic the consumption of beef and lamb fell (Note: Australia produces far more beef and lamb than it consumes, so the available supply to the domestic market is not a constraint) and was substituted by increased consumption of pork and poultry.

Figure 17 – Consumer Price Index and Consumption Trend – 2013 to 2022



Source: Australian Bureau of Statistics

This shift in price dynamic over the last four years has spurred on the growth in pork production in Australia. However, the decline of over 40 percent in cattle and lamb prices since the end of 2022 (associated with nearing the completion of the herd and flock rebuild and an increased supply of cattle and sheep for processing) has only just started to filter through to the retail prices in the second quarter of 2023 with the beef price index marginally lower and the lamb price index stable. It is anticipated that there will be a significant decline in the retail price of beef and lamb in the second half of 2023 and into 2024. Such price adjustments may lure some consumers back towards beef and lamb and away from pork and poultry. With Australia's pork producers being highly dependent upon domestic consumption this may trigger a shift towards moderating pork production. However, due to the lag phase from joining sows, gestation period and raising piglets to market weight, FAS/Canberra anticipates that the current growth in pork production from the first half of 2023 will continue into the second half and into early 2024 before moderating.

The FAS/Canberra pork production estimate for 2023 has been revised upward by 11 percent to 470,000 MT (CWE) from the official USDA estimate of 425,000 MT (CWE). Pork production for the first half

of 2023 is at 234,025 MT (CWE), eight percent higher than in the first half of 2022. Although past trends typically indicate production evenly split between the first and second six months of the year, there is an anticipation that production will be a little higher in the second half of 2023, partly driven by the weaker than usual imports in the first half of the year.

Consumption

Pork consumption is forecast to increase slightly in 2024 to 645,000 MT (CWE) from an estimated 640,000 MT (CWE) in 2023. Despite the high inflationary pressures which are impacting consumer discretionary spending choices in 2023, which are also expected to continue into 2024, pork consumption is anticipated to grow modestly. However, after accounting for the Australian government's forecast population growth this is in fact a small decline in forecast per capita consumption for 2024. As previously mentioned, the big drop in cattle and sheep prices since the end of 2022 is yet to have any significant impact on the retail prices of beef and lamb meat in Australia. This is anticipated to begin in the second half of 2023 and into 2024. With this, there may be a modest decline in the per capita consumption of pork (and perhaps poultry) towards beef and lamb in 2024. But on the basis that there is little cost of living pressure relief in sight for Australian consumers in 2024, and that even if beef and lamb retail prices decline, pork meat will still be substantially cheaper, so any shift in per capita consumption away from pork is expected to be small.

The FAS/Canberra pork consumption estimate for 2023 at 640,000 MT (CWE) remains in line with the official USDA estimate.

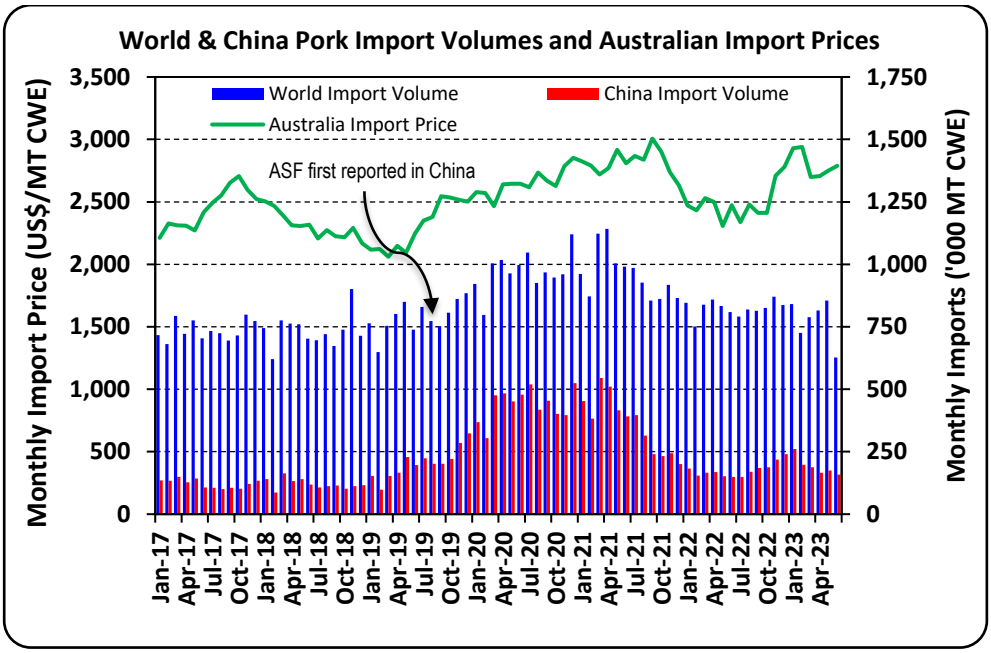
Trade

Imports

FAS/Canberra forecasts Australia's pork imports to remain steady at 210,000 MT (CWE) in 2024, from a downward revised 2023 estimate, lowered by 40,000 MT (CWE) from the official USDA estimate of 250,000 MT (CWE). The fall of pork imports from prior years is associated with the rise in domestic pork production but also the rise in import prices from the end of 2022.

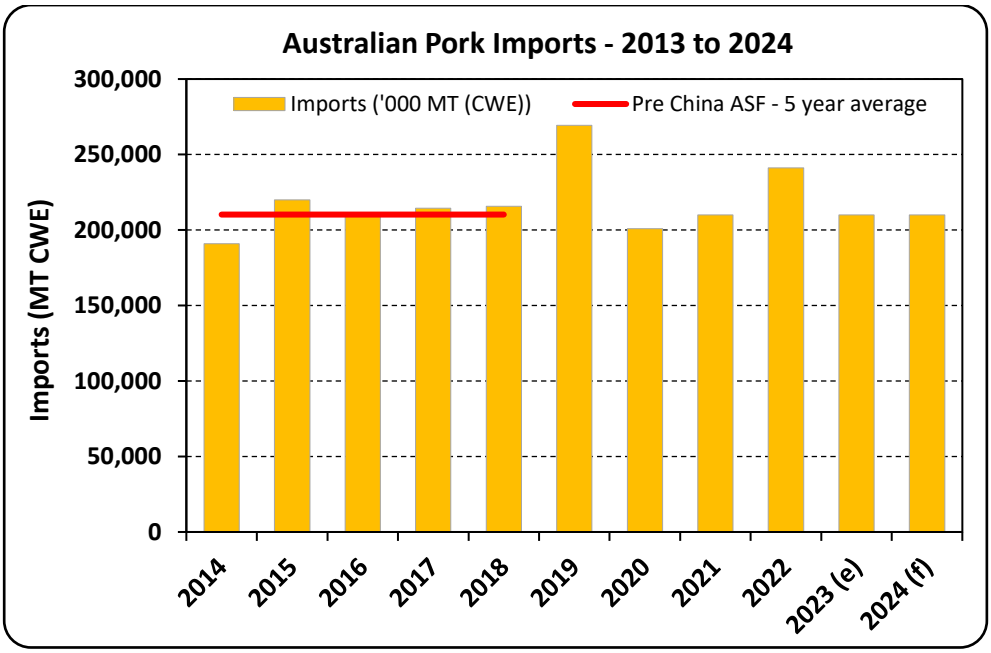
The higher pork import prices experienced during 2023 is related to the downward adjustment of EU pork production as a result of reduced export demand particularly from China after their production had recovered from African Swine Fever (ASF) first reported in late 2019. Pork imports by China declined during 2021 and stabilized at levels nearer to the levels prior to ASF (see Figure 18) during 2022. EU production had yet to adjust to the lower demand from China during 2022, resulting in lower world pork prices. This also triggered higher than usual Australian pork imports from the EU in 2022. The forecast pork imports for 2024 are an adjustment back to past levels seen over the last 10 years (see Figure 19).

Figure 18 – World & China Pork Import Trend and Australian Import Prices



Source: *Trade Data Monitor*

Figure 19 – Australian Pork Imports – 2013 to 2024

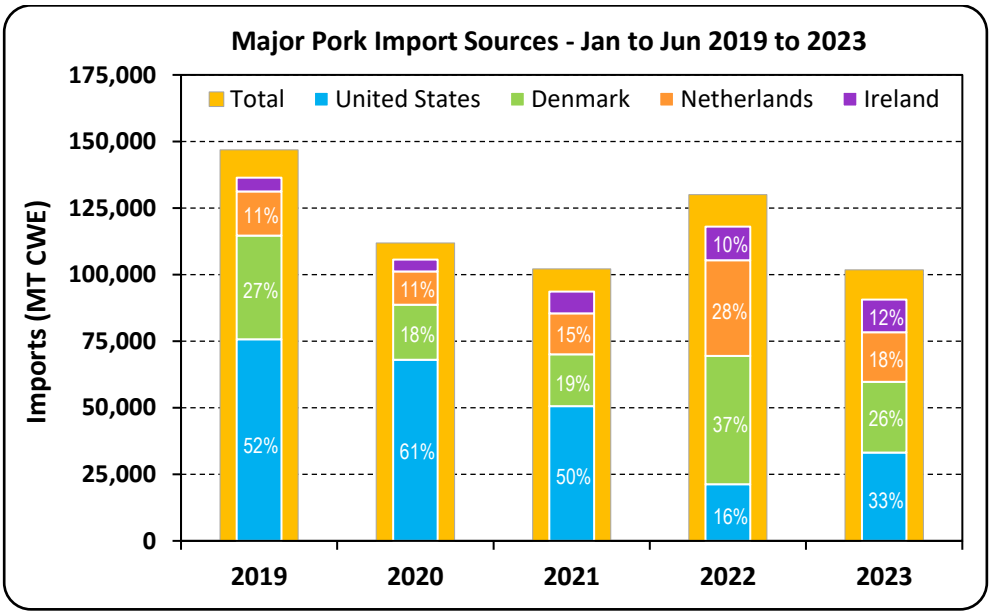


Source: *Australian Bureau of Statistics*
Note: *(e) = estimate, (f) = forecast*

Over recent years the top four suppliers of pork to Australia have accounted for almost 95 percent of overall imports. The United States had supplied half or more of Australia's pork import needs until 2022 when there was a strong shift towards pork imports towards Denmark, Netherlands and to a lesser extent

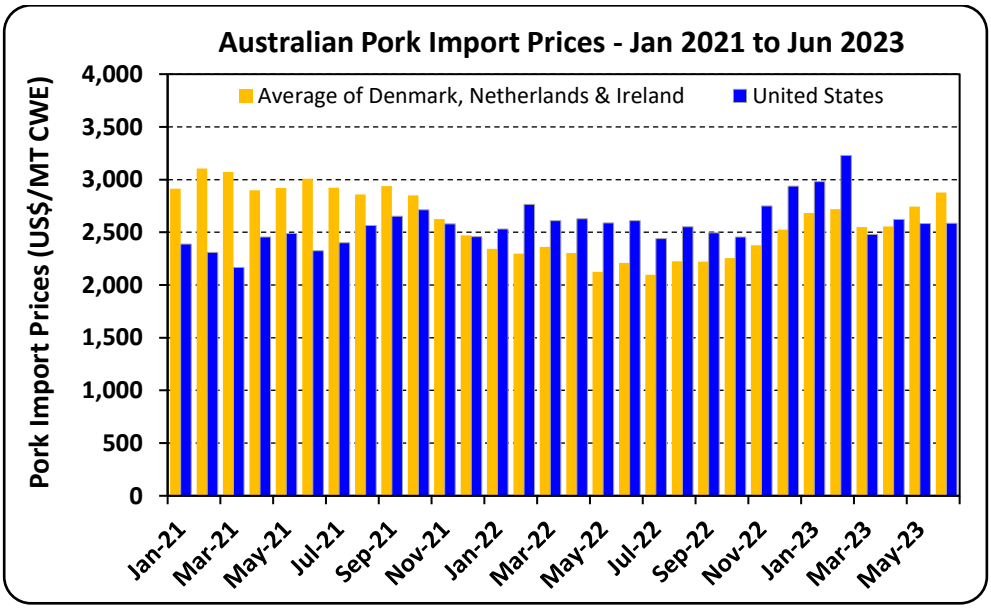
Ireland (see Figure 20). As mentioned, the EU was adjusting back its pork production after pork demand from China began to decrease in 2021, but surplus production in 2022 led to the price of pork from the EU being substantially lower than that from the United States. However, in 2023 this has flipped with pork import prices from the United States now lower than from the EU (see Figure 21). With this, the source of pork imports in the first half of 2023 has been shifting back towards the United States at the expense of the three key EU sources of Denmark, Netherlands and Ireland.

Figure 20 – Major Pork Import Sources – Jan to Jun 2019 to 2023



Source: *Australian Bureau of Statistics*

Figure 21 – Australian Pork Import Prices – Jan 2021 to Jun 2023



Source: *Australian Bureau of Statistics*

FAS/Canberra has revised pork imports for 2023 down to 210,000 MT (CWE) from the official USDA estimate of 250,000 MT (CWE). As previously mentioned, this is attributed to the higher domestic production of pork and the rise of pork import prices in 2023. Imports for the first half of 2023 are at 101,808 MT (CWE) down 22 percent (28,176 MT (CWE)) from the same period in 2022.

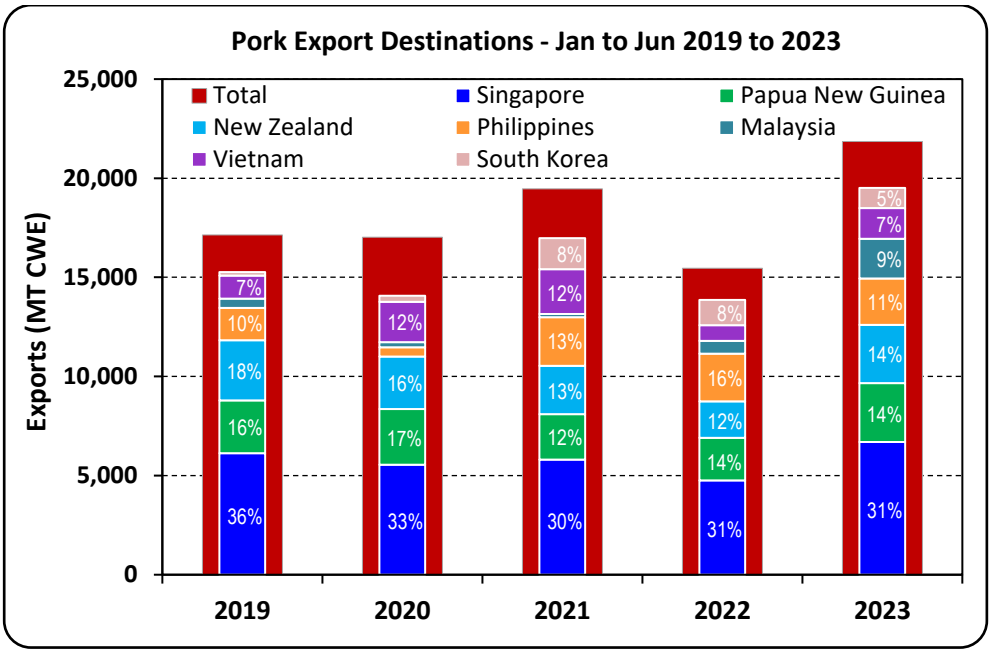
The fresh pork market in Australia is supplied by local producers as biosecurity regulations prevent imports of fresh and chilled pork. Processed pork, which includes ham, bacon and small goods, is mainly supplied from frozen pork imports. Local manufacturers are typically less competitive in producing processed pork than other major pork producing nations so large variances in imports from year to year are generally not expected. However, the average price of pork imports for the first half of 2023 is 14 percent higher than the first half of 2022 which has contributed to the lower-than-expected volume of imports.

Exports

FAS/Canberra forecasts exports in 2024 increase to 45,000 MT (CWE) from an upward revised 2023 estimate of 40,000 MT (CWE). This is mainly driven by higher production, but also the higher price of world pork from the beginning of 2023. These export volumes are small and are merely in the order of 10 percent of domestic pork production. Given exports are small, variances from year to year have little impact on Australian pork imports and domestic consumption.

Around 90 percent of pork exports is to five countries in Asia plus New Zealand and Papua New Guinea. Singapore is consistently the most important destination with near one third of overall exports, Papua New Guinea, New Zealand and Philippines are all of similar importance ranging from 11 to 16 percent in recent years (see Figure 22). Exports to Malaysia, Vietnam and South Korea are all significant export destinations with particularly strong growth to Malaysia evident over the last two years. With such a stable set of export destinations for Australian pork over many years there is little change anticipated in the forecast year.

Figure 22 – Pork Export Destinations – Jan to Jun 2019 to 2023



Source: *Australian Bureau of Statistics*

FAS/Canberra has revised pork exports for 2023 up to 40,000 MT (CWE) from the official USDA estimate of 35,000 MT. Exports for the first half of 2023 are at 21,844 MT (CWE) but the pace of exports is expected to moderate somewhat in the second half of the year.

Attachments:

No Attachments