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Australia

Poultry

Poultry Annual

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Report Highlights:
Poultry meat production is forecast to increase by three percent during Calendar Year (CY) 1999 and a further four percent during CY2000. Exports increased by nearly 50 percent during CY 1998 . The majority of exports were destined for Hong Kong and South Africa. Australian Government import protocols effectively prevent chicken meat imports. An outbreak of Newcastle disease results in 1.9 million birds being destroyed in CY 1999.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Canberra [AS1], AS

Executive Summary

Poultry meat production is forecast to increase by three percent during Calendar Year (CY) 1999 and a further four percent during CY2000. Increased demand, due to the relative price attractiveness of chicken meat compared to competing meats, has led to a long-term trend of increased production and per capita consumption of chicken meat. Current poultry meat production is more than double the level attained during the early 1980's. The recent increase in production is mainly due to low feedgrain prices and poultry meats price competitiveness with competing meats.

The production and prices of competing meats have a strong influence on poultry meat production, price and consumption. Beef has the highest per capita consumption level of all meats in Australia and is poultry meat's major competitor.

Changes in retail practices have contributed to the increase in poultry meat consumption. The expansion in the number and size of fast food outlets and the increased number of specialized chicken outlets selling various boneless and value added chicken products has been driven by consumer demand for convenience foods. Traditional butchers and supermarkets also supply a range of value added chicken products. The growth in further processed poultry products has been at the expense of fresh and frozen poultry products.

The move to chicken meat and chicken meat products has encouraged producers to grow birds to a heavier weight in order to increase the meat yield per carcass. This trend also reduces the cost of production, i.e. less birds are slaughtered per kilogram of meat produced. This is important due the high relative costs in the processing sector.

Exports of poultry meat account for around three percent of total poultry meat production. Australian exports increased by nearly 50 percent during CY 1998 due to the reported oversupply of chicken on the domestic market and the sharp fall in the value of the Australian dollar. The majority of exports during CY 1998 were destined for Hong Kong and South Africa.

The Australian Government allowed the importation of cooked chicken meat from the US and Denmark in 1998. Cooked chicken meat imports are acceptable if the chicken is cooked to a minimum of 165 minutes at 74 degrees C or 125 minutes at 80 degrees C. These regulations have effectively prevented chicken meat imports.

In April 1999 an outbreak of Newcastle disease resulted in 1.9 million birds being destroyed in the Mangrove Mountain area north of Sydney. The disease is reported to have been contained in the area. This follows an outbreak on the outskirts of Sydney in 1998 which resulted in 100,000 birds being killed. An outbreak of virulent avian influenza occurred near Tamworth late in 1997.

Poultry, Meat, Total

Production

PSD Table						
Country	Australia					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	20	20	20	20	20	20
Production	582	585	600	603	0	630
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	0	0	0
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	602	605	620	623	20	650
Whole, Exports	13	17	14	15	0	16
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	13	17	14	15	0	16
Human Consumption	569	568	586	588	0	614
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	569	568	586	588	0	614
TOTAL Use	582	585	600	603	0	630
Ending Stocks	20	20	20	20	0	20
TOTAL DISTRIBUTION	602	605	620	623	0	650
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

General

Poultry meat production is forecast to increase by three percent during Calendar Year (CY) 1999 and a further four percent during CY2000. Increased demand, due to the relative price attractiveness of chicken meat compared to competing meats, and the perceived ease of preparation and cooking of chicken meat, has led to a long-term trend of increased production and per capita consumption of chicken meat. Current poultry meat production is more than double the level attained during the early 1980's . The recent increase in production is mainly due to low feedgrain prices and poultry meats price competitiveness with competing meats.

Industry analysts state that in recent years a strong increases in supply have resulted in downward pressure on prices. Part of the large reason for the increase in supply is stated to be optimistic sales targets which reflect the strong sales growth in recent years.

Gains in poultry production are usually limited by the following factors: strong price competition from competing meats, especially beef, high labor costs, and high feed grain prices, especially in drought years when grain is in short supply. With feedgrain prices forecast to remain relatively low in the medium term ABARE forecasts that poultry meat consumption will increase by 15 percent by FY 2003-04 (Jul-Jun).

Meat and Livestock Australia indicated that between 1980 and 1996 lamb, beef and pork retail prices increased by around 90 percent while chicken meat prices increased by 40 percent over the same period. Real chicken meat prices have fallen in recent years which has led to continued substitution of chicken for alternative meats. Improved productivity, in recent years has also helped increase the competitiveness of chicken meat.

In Australia about 900 chicken growers produce around 360 million birds annually. The chicken meat industry dominates poultry meat production. Production of chicken meat continues to grow with current producers building larger capacity and more modern facilities. Environmental considerations have resulted in some poultry operations moving from urban locations.

Commercial chicken meat production is both intensive and highly mechanized. The chicken meat industry is vertically integrated, as characterized by company ownership of breeding farms, hatcheries, feed mills and some chicken meat growing farms and processing plants. The majority of chickens produced are grown under contract, the remainder are produced by company farms. Growers are paid a fee per bird. Growers provide the shedding and its associated costs i.e. power, water, maintenance, etc, while processors provide the day-old chicks, feed and pick up and process the finished chickens.

A recent ABARE report indicated that the poultry industry is dominated by two major producers that account for around 80 percent of Australian hatchery production and around 75 percent of poultry meat production. Industry sources suggest that this concentration of market share slows change in the industry.

The two main poultry producing states are N.S.W. and Victoria which account for over 65 percent of total production. In N.S.W. the poultry industry is located relatively close to areas of consumption. Generally broiler farms are located near feed and processing plants, reliable water supply and electricity. The outer Sydney and the Hunter Valley areas share equally between them around 75 percent of chicken farms in N.S.W. A smaller number of farms are concentrated around Tamworth and Griffith.

The industry continues to become more efficient due to the importation of superior genetics, improved production and husbandry techniques, and the establishment of newer and larger poultry sheds. While the industry is more competitive industry sources state that it must continue to improve if it is to become an exporter of large volumes of chicken meat. Clearly the scale of the industry must increase and processing costs must fall if the industry is to become competitive on the exports market.

In April 1999 an outbreak of Newcastle disease resulted in 1.9 million birds being destroyed in the Mangrove Mountain area north of Sydney.

This follows an outbreak of Newcastle disease on the outskirts of Sydney in 1998 which resulted in 100,000 birds being killed. An outbreak of virulent avian influenza occurred near Tamworth late in 1997. This followed outbreaks in 1976, 1985, 1992 and 1994. AQIS reports that these outbreaks were quickly controlled and the disease was eradicated.

Production Technology

The introduction of new genetics since 1990 and improved husbandry techniques have seen chicken meat production become far more efficient. The Australian industry reports that in 1989 a 2.1 kg chicken took 51 days to grow with 2.1 kg of feed being utilized for a one kilogram weight gain. In 1996 the chicken reached 2.1 kg in 41 days and only utilized 1.78 kg of feed for a one kilogram weight gain. The industry is confident that this rate of genetic advancement will continue.

The Australian Chicken Meat Federation recently commissioned a bench marking study on the Australian chicken meat industry. The study included technical efficiency and production costs. Production costs were found to be comparable with the EU, 20 percent higher than the US, 27 percent higher than Thailand, 32 percent higher than China and 42 percent higher than Brazil. The following figures indicate the savings needed to achieve world best status for the industry (figures are represented in Australian cents per kilogram):

Day old chick cost	11.23Ac/kg (51 percent)
Feed	11.37Ac/kg (17 percent)
Grower payment	5.55Ac/kg (32 percent)
Other costs	1.30Ac/kg (17 percent)
Labor costs	7.94Ac/kg (28 percent)
Packaging	2.33Ac/kg (28 percent)
Other plant costs	9.04Ac/kg (44 percent)

The industry has developed a plan to help reduce costs of production, improve productivity and generally improve the overall performance of the industry.

Cross Commodity Developments

The production and prices of competing meats have a strong influence on poultry meat production, price and consumption. Beef has the highest per capita consumption of all meats and is poultry meat's major competitor. The recovery in the beef industry due to improved seasonal conditions, lower grain prices and strong demand on export markets should see cattle prices increase which will result in higher retail prices for beef.

Lamb and mutton prices are forecast to remain strong during CY 1999 and CY 2000 due to favorable seasonal conditions, low sheep numbers and strong export demand. Strong mutton prices mean there is less competition with chicken for lower value uses i.e. in manufactured products. Australian lamb exports to the US from July

22, 1999 are subject to the recently implemented import Tariff Rate Quota (TRQ). This resulted in the lamb industry heavily promoting the domestic purchase of lamb which is reported to have increased lamb consumption by 15 percent. If this trend continues chicken meat consumption may be marginally affected.

Poultry meat enjoys the reputation of being "value for money". It has benefitted at the expense of other meats in recent years. Chicken meat has also been assisted by the perceived health benefits of white meats and the increasing demand for easy to prepare meals.

Consumption

General

The per capita consumption of poultry meat has experienced a dramatic increase since the 1960s due to the changing dietary patterns of consumers. Chicken meat accounts for over 90 percent of poultry consumption. The following table shows the increase in poultry consumption.

Year	Per Capita Consumption (kg/year)
1960	1.3
1970	10.5
1981	19.3
1984	20.2
1985	23.0
1987	24.1
1990	24.6
1992	25.9
1994	27.9
1996	27.9
1997	28.5
1998	30.5
1999	31.1
2000	32.2

Source: Australian Bureau of Statistics/ABARE

The increase in per capita consumption since FY 1981-82 has been steady, increasing from 19.3 kg to a forecast 32.2 kg in FY 1999-2000. This represents a growth of around 67 percent, and compares with a decrease in beef consumption of 28 percent over the same period. Lamb consumption is forecast to have fallen 31 percent from its FY 1981-82 level, while pork and mutton consumption has increased 24 and 73 percent respectively.

Australians will consume a forecast 103 kg of meat during FY 1999-2000 year, composed of 35 kg of beef and veal, 32 kg of chicken, 19 kg of pork , and 17 kg of sheepmeat.

Utilization

Changes in retail practices have contributed to the increase in poultry meat consumption in recent years. The expansion in the number and size of fast food outlets and the increased availability of processed poultry products has been driven by consumer demand for convenience foods. Specialized chicken outlets selling various boneless chicken lines such as chicken patties, chicken pieces, marinated and other value added chicken products have increased rapidly in number and size. Traditional butchers and supermarkets also supply a range of value added chicken products. The Australian industry reports that value added products account for around 25 percent of Australian poultry consumption.

The growth in further processed poultry products has been at the expense of fresh and frozen poultry products. Fresh chicken meat and chicken pieces have largely replaced frozen chicken as they save time and are easier to prepare. Industry sources state that frozen poultry products account for around 15 percent of the poultry market. This figure will continue to fall in the future. Consumers are eating less meat per meal in meal styles such as stir fry and with pasta. The move to chicken meat and chicken meat products has encouraged producers to grow birds to a heavier weight in order to increase the meat yield per carcass. This trend also reduces the cost of production, i.e. less birds are slaughtered per kilogram of meat produced.

How Poultry is Sold in Australia (Percentage of Total Sales)	
Supermarket	50
Fast Food Sector	25
Small Retailers and Butchers	15
Food Service Industry	10

Trade

Export Trade Matrix			
Country	Australia		
Commodity	Poultry, Meat, Total		
Time period	Jan - Dec	Units:	MT
Exports for:	1997		1998
U.S.	0	U.S.	0
Others		Others	
China	3865	Hong Kong	8156
South Africa	3053	South Africa	5157
Hong Kong	2227	Vanuatu	538
Vanuatu	409	Sri Lanka	507
Kiribati	383	Kiribati	497
Fiji	307	Fiji	399
Sri Lanka	242	Wallis & Futuna Isl.	320
Nauru	229	Nauru	198
Wallis & Futuna Isl.	190	Tuvalu	182
Solomon Isl.	124	The Philippines	176
Total for Others	11029		16130
Others not Listed	518		909
Grand Total	11547		17039

Import Trade Matrix			
Country	Australia		
Commodity	Poultry, Meat, Total		
Time period	Jan - Dec	Units:	MT
Imports for:	1997		1998
U.S.	0	U.S.	0
Others		Others	
Total for Others	0		0
Others not Listed	0		0
Grand Total	0		0

Overall Trade Trends

Exports of poultry meat account for around three percent of total poultry meat production. Australian exports increased by nearly 50 percent during CY 1998 due to a reported oversupply of chicken on the domestic market and the sharp fall in the value of the Australian dollar. The majority of exports during CY 1998 were destined for Hong Kong and South Africa. The increase in the value of the Australian dollar during CY 1999 is likely to lead to a slight decrease in chicken meat exports.

The industry continues to become more efficient due to the importation of superior genetics, improved production and husbandry techniques, and the establishment of newer and larger poultry sheds. While the industry is more competitive industry sources state that it must continue to improve if it is to become an exporter of significant volumes of chicken meat. Clearly the scale of production must increase and processing and input costs must fall if the industry is to become competitive on the exports market.

In the recent years between 180,000 and 250,000 day old chicks have been exported each year. The majority of these went to the Solomon Islands with substantial quantities also going to P.N.G.

Australia imports negligible quantities of chicken meat and chicken meat products (See Tariff and Non-Tariff Barriers).

The Australian Government announced funding of A$179,000 in June 1999 for a three year study aimed at boosting the international competitiveness of the chicken meat industry. The funding will be matched dollar for dollar by the industry.

Tariff and Non-Tariff Barriers

The first live chickens, for around 40 years, were imported into Australia in 1990. These meat chickens were imported as eggs from a Danish flock which was subjected to strict pre-export quarantine controls and comprehensively tested for disease. Testing continued following the arrival and hatching of the eggs. Chicks hatched from imported eggs from first tier countries are required to undergo a minimum quarantine period of 12 weeks, and are released only after all post-arrival quarantine conditions have been met. Since the initial shipment a number of poultry and other avian species have been imported.

As the result of an AQIS review, countries wishing to export hatching egg and live birds to Australia are categorized on the basis of their Newcastle disease and avian influenza status. The current approved countries, which are in the low risk category, are the UK, Canada, New Zealand, Iceland, Ireland, Sweden, Norway and Denmark. The review prompted AQIS to introduce guidelines for the establishment of private quarantine facilities. Commercial poultry breeders may now import fertile eggs from low risk countries using private facilities. This system allows more frequent importations.

During the first half of 1997 around 20,000 broiler eggs from the Cobb Breeding Company in Eire entered Ingham Enterprises first private quarantine facility. The four imported strains of meat chickens will form the foundation stock for a sophisticated breeding program. Cobb genetics will eventually replace all existing Ingham's breeding stock, and the company plans regular importations in coming years. Once control procedures are established AQIS anticipates entering into a QA arrangement with Ingham's for the supervision of consignments of eggs.

The success of recent imports of hatching eggs resulted in AQIS preparing an issues paper on the importation of hatching eggs from medium risk countries. This review concluded that hatching eggs from the US will be permitted providing they meet certain protocols including vaccination against Newcastle disease and quarantine at the high risk Torrens Island facility. Import bans previously applied to second tier countries due to Newcastle and other production limiting diseases existing in those countries. Importations are subject to space being available at this facility.

Australia does not import any live poultry species. AQIS convened a risk analysis panel in late 1998 to review importation of live parrot species. This review is expected to be complete around July 2000.

A discussion paper was released by AQIS on the importation of chicken meat from second tier countries in 1991. Following public consultation a position paper was released on the importation of cooked chicken meat during 1994(See report AS5067). Cooked chicken was reviewed before frozen or fresh product. After public consultation it appeared that AQIS reported positively to the then Minister, Sen. Bob Collins, who then failed to make the politically unpopular decision to allow chicken meat imports. The new Minister (elected in March 1996)was handed an issue that had been stalled for the previous six years. The new minister announced in 1996 that an in principle decision had been made to lift the ban on cooked chicken meat imports from the U.S., Thailand and Denmark (See report AS6050). The in principle decision was immediately met with concerted opposition from the Australian industry, which was supported by various other groups including, politicians, trade unions, local councils, etc.

This opposition resulted in the Government deciding to conduct a final round of testing to confirm that the cooking parameters developed by AQIS will be effective in inactivating any virus under commercial processing conditions. The final round of testing was conducted in England by an internationally recognized expert on avian disease. The tests concluded that cooked chicken meat imports were acceptable if the chicken is cooked at a minimum temperature of 70 degrees C for 143 minutes, or equivalent parameters up to 80 degrees C for 114 minutes. A perceived inconsistency between the 1997 test and a test carried out in 1988 resulted in the time and temperature requirements being reviewed and subsequently increased to a minimum of 165 minutes at 74 degrees C or 125 minutes at 80 degrees C.

AQIS is currently conducting a generic Import Risk Assessment (IRA) on the importation of fresh and frozen meat. Given the negative result for cooked poultry meat it is guaranteed that US fresh and frozen poultry meat will not be permitted. If the US provides an official response, that includes new data on the treatment of US strains of the diseases in question, then AQIS would reconsider the protocols for US cooked chicken meat.

The local industries opposition has received sympathy in the local media. Most reports stress the damage to the Australian industry, and to wild and domestic bird populations, that would result from Newcastle and other diseases. The possibility of the introduction of human diseases has also been introduced. Economic issues including the claimed decimation of the local industry by importation of subsidized product has also been raised. The economic and scientific issues are often blended together.

Prices

The following table lists average retail prices (Aust. cents/kg) for frozen chickens.

1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99 (s)	1999/00 (f)
291	280	281	297	317	317	315	316

(s) ABARE Estimate. (f) ABARE Forecast.
Exchange Rate: US$1.00 = A$1.53, 8/10/99
SOURCE: ABARE, Agriculture & Resources Quarterly

The following table contains retail prices (Aust. cents/kg) for chicken and its major competitors, i.e. beef, lamb and mutton (mutton prices are saleyard prices as retail prices are not available)

Year	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99 (s)	1999/00 (f)
Chicken	280	281	298	317	317	315	316
Yearling beef	987	998	1012	977	983	986	1010
Lamb	632	616	693	704	703	707	713
Mutton	39	45	71	69	81	78	76

(s) ABARE Estimate. (f) ABARE Forecast.
Exchange Rate: US$1.00 = A$1.53, 8/10/99
SOURCE: ABARE, Agriculture & Resources Quarterly

The current historically high mutton price should result in mutton providing less competition at the lower end of the retail market and in some manufactured products.

Poultry, Meat, Chicken - 16 wks

PSD Table						
Country	Australia					
Commodity	Plty, Meat, Chicken -16 wks				(1000 MT)(MIL HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	20	20	20	20	20	20
Production	524	527	540	543	0	567
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	0	0	0
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	544	547	560	563	20	587
Whole, Exports	10	14	11	12	0	13
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	10	14	11	12	0	13
Human Consumption	514	513	529	531	0	554
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	514	513	529	531	0	554
TOTAL Use	524	527	540	543	0	567
Ending Stocks	20	20	20	20	0	20
TOTAL DISTRIBUTION	544	547	560	563	0	587
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Export Trade Matrix			
Country	Australia		
Commodity	Plty, Meat, Chicken -16 wks		
Time period	Jan - Dec	Units:	MT
Exports for:	1997		1998
U.S.	0	U.S.	0
Others		Others	
China	3641	Hong Kong	7823
Hong Kong	1969	South Africa	2877
South Africa	953	Vanuatu	507
Kiribati	364	Sri Lanka	507
Vanuatu	331	Kiribati	456
Sri Lanka	242	Wallis & Futuna Isl.	291
Nauru	219	Fiji	195
Wallis & Futuna Isl.	165	Nauru	191
Solomon Isl.	114	China	174
Tuvalu	81	Cook Islands	149
Total for Others	8079		13170
Others not Listed	285		624
Grand Total	8364		13794

Import Trade Matrix			
Country	Australia		
Commodity	Plty, Meat, Chicken -16 wks		
Time period	Jan - Dec	Units:	MT
Imports for:	1997		1998
U.S.	0	U.S.	0
Others		Others	
Total for Others	0		0
Others not Listed	0		0
Grand Total	0		0