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Australia

Poultry

Poultry Annual

1998

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Executive Summary

ABARE estimates that poultry meat production increased by 49,000 MT, or more than nine percent, during 1997/98. This increase follows the trend of recent years which has seen poultry production increase from 298,000 MT in 1982/83 to 533,000 MT in 1996/97. The recent acceleration in production is mainly due to reduced feedgrain prices.

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 subsequently per capita consumption, of chicken meat.

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 as such is poultry meat's major competitor. While the beef industry has shown a modest recovery in recent months due to improved seasonal conditions, lower grain prices and improved prices, it remains under pressure due to a deterioration in demand from Asian markets (for beef and live cattle) and continued strong price competition from the United States in the Japanese and Korean markets. Current good seasonal conditions suggest that beef production will decrease which will result in higher retail beef prices.

The increase in per capita consumption since 1981/82 has been steady, increasing from 19.3 kg to a forecast 31.2 kg in 1998/99. The increase from 1981/82 to 1998/99 represents a growth of around 62 percent, and compares with a decrease in beef consumption of 26 percent over the same period. By 1998/99 lamb consumption is forecast to have fallen 29 percent from its 1981/82 level, while pork and mutton consumption have increased 22 and 82 percent respectively.

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 satisfied 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. Consumers are also eating less meat per meal.

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.

After a final round of testing to confirm that the cooking parameters developed by AQIS are so conservative they will be effective in inactivating any virus under commercial processing conditions, the Australian Government allowed the importation of cooked chicken meat from the US and Denmark. 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.

Poultry, Meat, Total

Production

PSD Table						
Country:	Australia					
Commodity:	Poultry, Meat, Total					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		07/1996		07/1997		07/1998
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	20	20	20	20	0	20
Production	512	533	522	582	0	600
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	532	553	542	602	0	620
Whole, Exports	11	11	12	13	0	14
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	11	11	12	13	0	14
Human Consumption	501	522	510	569	0	586
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	501	522	510	569	0	586
TOTAL Use	512	533	522	582	0	600
Ending Stocks	20	20	20	20	0	20
TOTAL DISTRIBUTION	532	553	542	602	0	620
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

General

ABARE estimates that poultry meat production increased by 49,000 MT, or more than nine percent, during 1997/98. This increase follows the trend of recent years which has seen poultry production increase from 298,000 MT in 1982/83 to 533,000 MT in 1996/97. The recent acceleration in production is mainly due to reduced feedgrain prices. 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. Long term weather forecasts indicate that the El Nino event that produced dry weather in 1997 and the first half of 1998 has now dissipated. Forecasts indicate that above average rainfall is likely in coming months, thus the 1998/99 winter grain harvest is forecast to be large, thus grain prices are expected to remain low.

The 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 increased production, and subsequently increased per capita consumption, of chicken meat.

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

In a recent ABARE publication beef prices for 1997/98 were forecast to increase by around three percent due to improved seasonal conditions. This will ease the pressure on chicken meat consumption.

In Australia there are about 900 chicken growers producing about 320 million birds annually. The Australian chicken meat industry dominates poultry meat production and consumption in Australia. The chicken meat industry has grown from a paltry backyard industry to a sophisticated and complex industry in just over 40 years.

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 Australian 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 the progress of change in the industry.

The two main Australian 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.

Production Technology

The introduction of new genetics to the Australian industry 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 kg weight gain. In 1996 the chicken reached 2.1 kg in 41 days and only utilized 1.78 kg of feed for a one kg weight gain. The industry is confident that this rate of genetic advancement will continue, thus making the Australian industry much more competitive.

Production Technology

The Australian Chicken Meat Federation recently commissioned a benchmarking study on the Australian chicken meat industry. The study included such things as technical efficiency and production costs. Production costs in Australia 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 cost pull back required to achieve world best status for the Australia 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 determined that it should develop a plan to help reduce Australian 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 level of all meats in Australia and as such is poultry meat's major competitor. While the beef industry has shown a modest recovery in recent months due to improved seasonal conditions, lower grain prices and improved prices, it remains under pressure due to a deterioration in demand from Asian markets (for beef and live cattle) and continued strong price competition from the United States in the Japanese and Korean markets. Current good seasonal conditions suggest that beef production will decrease which will result in higher retail prices.

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.

Lamb production is forecast to have increased by four percent during 1997/98 due to strong export demand and an increase in the size of the specialist lamb flock due to poor prospects for wool and beef.

Mutton production is estimated to have increased by 15 percent during 1997/98, however, mutton prices have remained at historically high levels due to solid export demand. Higher mutton prices mean that it will be less competitive with chicken for lower value uses i.e. in manufactured products.

Consumption

General

The per capita consumption of poultry meat has experienced a dramatic increase since the 1960s due to the changing dietary patterns of Australian 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)
1959/60	1.3
1969/70	10.5
1981	19.3
1984	20.2
1985	23.0
1987	24.1
1990	24.6
1992	25.9
1994	27.9
1995	27.6
1996	27.9
1997	28.3
1998	30.5
1999	31.2

Source: Australian Bureau of Statistics/ABARE

The increase in per capita consumption since 1981/82 has been steady, increasing from 19.3 kg to a forecast 31.2 kg in 1998/99. The increase from 1981/82 to 1998/99 represents a growth of around 62 percent, and compares with a decrease in beef consumption of 26 percent over the same period. By 1998/99 lamb consumption is forecast to have fallen 29 percent from its 1981/82 level, while pork and mutton consumption have increased 22 and 82 percent respectively.

Australians will consume an estimated 106 kg of meat for the 1997-98 year, composed of about 39 kg of beef and veal, 31 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, especially chicken meat, in recent years. The expansion in the number and size of fast food outlets and the increased availability of processed poultry products has satisfied 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 in recent years. 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 than frozen chickens. Consumers are also 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	Units:	MT
Commodity:	Poultry, Meat, Total		
Time period:	Jul-Jun		
Exports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
China	3879	Hong Kong	4702
South Africa	2989	South Africa	4016
Hong Kong	2388	China	2126
Vanuatu	395	Vanuatu	464
Wallis & Futuna Is.	386	Fiji	399
Kiribati	371	Sri Lanka	330
Nauru	258	Kiribati	328
Sri Lanka	105	Nauru	241
Solomon Isl.	96	Wallis & Futuna Is.	201
Cook Islands	74	Tuvalu	113
Total for Others	10941		12920
Others not listed	383		561
Grand Total	11324		13481

Import Trade Matrix			
Country:	Australia	Units:	MT
Commodity:	Poultry, Meat, Total		
Time period:	Jul-Jun		
Imports for	1997		1998
U.S.	0	U.S.	0.033
Others		Others	
New Zealand	0.23	New Zealand	0.105
Vietnam	0.1	United Kingdom	0.003
Total for Others	0.33		0.108
Others not listed			
Grand Total	0.33		0.141

Overall Trade Trends

Australian exports of poultry products account for around two percent of total poultry meat production. The majority of exports are destined for Hong Kong, South Africa, and China. Small quantities are also exported to many Pacific island nations.

In the 1996 and 1997 years between 250,000 and 500,000 day old chicks were exported. The majority of these went to the Solomon Islands with substantial quantities also going to P.N.G., Indonesia and Malaysia.

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

Tariff and Non-Tariff Barriers

The first live chickens, for around 40 years, were imported into Australia in November 1990. The meat chickens were the survivors of a batch of eggs imported from Denmark to the Torrens Island animal quarantine station, near Adelaide, South Australia. The Danish flock was subjected to strict pre-export quarantine controls and comprehensively tested for disease. This 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 this shipment a number of poultry and other avian species have been imported into Australia.

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. This should allow access to genetic material from both low and high risk countries. 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 also recommends the use of quarantine facilities of lesser microbiological security for importations from low risk countries.

This recommendation 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 which have operational procedures based on Approved Quality Assurance (AQA) systems. The new policy provides commercial breeders with greater flexibility in planning their importations. This system will allow 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 at Bungonia, near Goulburn, N.S.W. The eggs were transferred from Sydney Airport to the new facility under strict AQIS supervision. The eggs and the resultant chickens will stay at the facility for 15 weeks. The four imported strains of meat chickens will form the foundation stock for a sophisticated breeding program that will see the progeny of this importation reaching Australian tables in the first half of 1998. Cobb genetics will eventually replace all existing Ingham’s breeding stock, and the company plans regular importations over the next five years. Once control procedures are established AQIS anticipates entering into a QA arrangement with Ingham’s for the supervision of later consignments.

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 quarantine at the high risk Torrens Island facility. Import bans previously applied to second tier countries due to Newcastle and production limiting diseases existing in those countries. Importations would be subject to space being available at this facility.

AQIS are due to release a revised draft protocol in late August or September 1998 for the importation of hatching eggs which is expected to result in more flexible guidelines. This is stated to include more flexible guidelines including the use of eggs from birds that have been vaccinated against Newcastle disease.

Australia does not import any live poultry species. Under the new review process AQIS will convene a risk analysis panel in late 1998 which will consider the importation of live parrot species from second tier countries like the US. This review is expected to take around 15 months to complete.

A discussion paper was released by AQIS on the importation of chicken meat in general 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 selected to be 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 has been 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 are so conservative they 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.

The very stringent results for cooked chicken means that the issue of fresh and frozen meat is unlikely to be considered for some time. 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 the wild and domestic bird populations, that would result from Newcastle and other diseases. Articles have also introduced the possibility of the introduction of human diseases. They have also focused on economic issues, such as the importation of subsidized product, which they claim would ruin the local industry. The economic and scientific issues are often blended together.

Prices

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

1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 (s)	1998/99 (f)
310	299	291	280	281	297	315	318	322

(p) Preliminary. (s) ABARE Estimate. (f) ABARE Forecast.
Exchange Rate: US$1.00 = A$1.67, 8/15/98
SOURCE: ABARE, Agriculture & Resources Quarterly

The following table includes retail prices for the following chicken products in Australian dollars per kilogram:

Product	1996	1997
Chicken breast meat	10.00	11.50
Chicken thighs	4.25	4.30
Chicken wings	3.55	3.60

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	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 (s)	1998/99 (f)
Chicken	291	280	281	298	315	318	322
Yearling beef	952	987	998	1012	977	985	1017
Lamb	576	632	616	693	704	689	694
Mutton	32	39	45	71	69	81	79

(p) Preliminary. (s) ABARE Estimate. (f) ABARE Forecast.
Exchange Rate: US$1.00 = A$1.67, 8/15/98
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					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		07/1996		07/1997		07/1998
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	20	20	20	20	0	20
Production	461	480	470	524	0	540
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	481	500	490	544	0	560
Whole, Exports	10	8	11	10	0	11
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	8	11	10	0	11
Human Consumption	451	472	459	514	0	529
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	451	472	459	514	0	529
TOTAL Use	461	480	470	524	0	540
Ending Stocks	20	20	20	20	0	20
TOTAL DISTRIBUTION	481	500	490	544	0	560
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Export Trade Matrix			
Country:	Australia	Units:	MT
Commodity:	Plty, Meat, Chicken -16 Wks		
Time period:	Jul-Jun		
Exports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
China	3614	Hong Kong	4560
Hong Kong	1962	China	1942
South Africa	638	South Africa	1870
Wallis & Futuna Is.	374	Vanuatu	442
Kiribati	346	Sri Lanka	330
Vanuatu	274	Kiribati	302
Nauru	251	Nauru	237
Solomon Isl.	91	Wallis & Futuna Is.	164
Sri Lanka	74	Tuvalu	113
Tuvalu	67	Cook Islands	84
Total for Others	7691	Total for Others	10044
Others not listed	251	Others not listed	341
Grand Total	7942	Grand Total	10385

Import Trade Matrix			
Country:	Australia	Units:	MT
Commodity:	Plty, Meat, Chicken -16 wks		
Time period:	Jul-Jun		
Imports for	1997		1998
U.S.	0	U.S.	0.033
Others		Others	
New Zealand	0.23	New Zealand	0.105
Vietnam	0.1	United Kingdom	0.003
Total for Others	0.33		0.108
Others not listed			
Grand Total	0.33		0.141