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Australia

Livestock and Products

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2008

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Report Highlights:
Post expects that the improved seasonal conditions will likely reduce slaughter, production and exports from the historically high levels experienced since the beginning of the drought. As a result, inventories are expected to increase in 2008. Beef exports are forecast to decline over 3.5 percent to 965 TMT.

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

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SECTION ONE: SITUATION AND OUTLOOK

Summary

Since last report, the Australian continent has received widespread rain with some areas receiving their best rainfall since the drought began in CY 2002. This rainfall has bought welcome relief to many agricultural regions in Australia that have suffered the effects of the worst drought in over 100 years.

Post expects that the improved seasonal conditions will likely reduce slaughter, production and exports from the historically high levels experienced since the beginning of the drought. As a result inventories will increase.

The long running drought has seen the availability of feed grain and other fodder stocks fall sharply. However, recent rainfall has lead to projections of record sorghum production. Although sorghum accounts for only a small proportion of total Australian grain production, industry sources suggest that a record sorghum crop will likely halt the rapid decline in the number of cattle on feed.

Weather conditions over the remainder of CY 2008 will likely play a large role in determining final production and exports. Post has assumed average weather conditions for the remainder of CY 2008 and this alone is expected to provide a shift away from slaughter, production and exports towards increased inventories, while a return to drought conditions would likely see a return to increased slaughter, production and exports.

A continuation of above average rainfall throughout the remainder of CY 2008 would likely see slaughter, production and export levels fall below that forecast by post.

SECTION TWO: STATISTICAL TABLES

PSD Table

Animal Numbers, Cattle

	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Total Cattle Beg. Stks	27782	27782	27782	28560	28560	28846	28400	28400	29202	(1000 HEAD)
Dairy Cows Beg. Stocks	1995	1995	1995	1990	1990	1990	1885	1885	1885	(1000 HEAD)
Beef Cows Beg. Stocks	13021	13021	13021	12750	12750	12750	12700	12900	12700	(1000 HEAD)
Production (Calf Crop)	10264	10249	10550	9955	9904	10200	9900	10000	10300	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Supply	38046	38031	38332	38515	38464	39046	38300	38400	39502	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Exports	634	619	634	765	714	722	800	750	800	(1000 HEAD)
Total Exports	634	619	634	765	714	722	800	750	800	(1000 HEAD)
Cow Slaughter	3729	3729	3729	3600	3600	3600	3475	3500	3475	(1000 HEAD)
Calf Slaughter	873	873	873	955	955	955	900	900	900	(1000 HEAD)
Other Slaughter	4200	4200	4200	4745	4745	4517	4475	4500	4377	(1000 HEAD)
Total Slaughter	8802	8802	8802	9300	9300	9072	8850	8900	8752	(1000 HEAD)
Loss	50	50	50	50	50	50	50	50	50	(1000 HEAD)
Ending Inventories	28560	28560	28846	28400	28400	29202	28600	28700	29900	(1000 HEAD)
Total Distribution	38046	38031	38332	38515	38464	39046	38300	38400	39502	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Balance	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Inventory Balance	778	778	1064	-160	-160	356	200	300	698	(1000 HEAD)
Inventory Change	2	2	2	3	3	4	-1	-1	1	(PERCENT)
Cow Change	3	3	3	-2	-2	-2	-1	0	-1	(PERCENT)
Production Change	6	7	6	-3	-3	-3	-1	1	1	(PERCENT)
Production to Cows	68	68	70	68	67	69	68	68	71	(PERCENT)
Trade Balance	634	619	634	765	714	722	800	750	800	(1000 HEAD)
Slaughter to Inventory	32	32	32	33	33	31	31	31	30	(PERCENT)

PSD Table

Meat, Beef and Veal

	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Slaughter (Reference)	8802	8802	8802	9300	9300	9072	8850	0	8752	(1000 HEAD)
Beginning Stocks	16	16	16	31	31	31	91	73	91	(1000 MT CWE)
Production	2183	2183	2183	2261	2290	2197	2100	0	2100	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	9	12	9	6	12	6	6	0	6	(1000 MT CWE)
Total Imports	9	12	9	6	12	6	6	0	6	(1000 MT CWE)
Total Supply	2208	2211	2208	2298	2333	2234	2197	73	2197	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	1430	1425	1430	1450	1495	1400	1380	0	1350	(1000 MT CWE)
Total Exports	1430	1425	1430	1450	1495	1400	1380	0	1350	(1000 MT CWE)
Human Dom. Consumption	747	755	747	757	765	743	761	0	787	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	747	755	747	757	765	743	761	0	787	(1000 MT CWE)
Ending Stocks	31	31	31	91	73	91	56	0	60	(1000 MT CWE)
Total Distribution	2208	2211	2208	2298	2333	2234	2197	0	2197	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
CY. Exp. to U.S.	472	472	424	490	490	420	0	0	400	(1000 MT CWE)
Balance	0	0	0	0	0	0	0	-73	0	(1000 MT CWE)
Inventory Balance	15	15	15	60	42	60	-35	-73	-31	(1000 MT CWE)
Weights	248	248	248	243	246	242	237	0	240	(1000 MT CWE)
Production Change	4	4	4	4	5	1	-7	-100	-4	(PERCENT)
Import Change	-18	0	-18	-33	0	-33	0	-100	0	(PERCENT)
Export Change	3	1	3	1	5	-2	-5	-100	-4	(PERCENT)
Trade Balance	1421	1413	1421	1444	1483	1394	1374	0	1344	(1000 MT CWE)
Consumption Change	-2	3	-2	1	1	-1	1	-100	6	(PERCENT)
Population	0	0	0	0	0	0	0	0	0	(HEAD)
Per Capita Consumption	0	0	0	0	0	0	0	0	0	(KG)

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

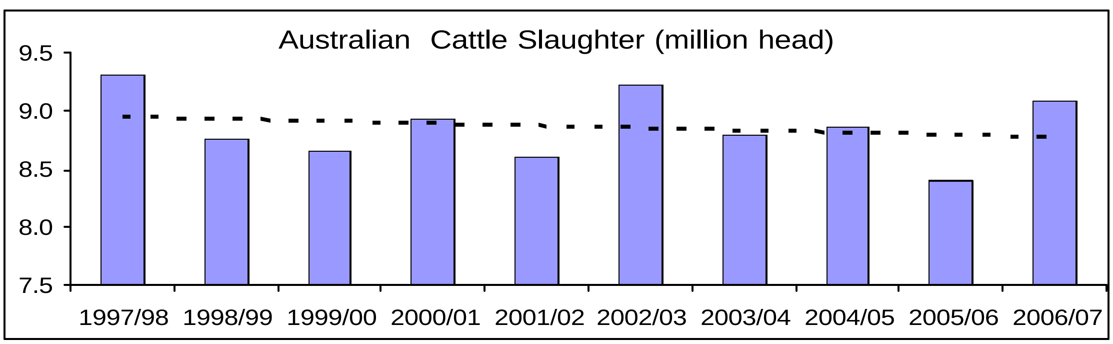
Cattle

Slaughter

Slaughter of cattle is forecast to fall by over three percent to 8.75 million head in CY 2008. Improved seasonal conditions and higher summer crop production is expected to see slaughter ease from the historically high levels estimated for the previous year. The ten year average for cattle slaughter is about 8.85 million head, slightly higher than Post's CY 2008 forecast.

Post advises that forecast lower slaughter is contingent upon the return to more normal weather conditions in CY 2008. A continuation of the above average rainfall, which have been experienced in CY 2008 to date, would likely see slaughter fall below the forecast level, while a return to drought conditions would likely see slaughter return to the higher levels experienced in CY 2007.

The improved seasonal conditions, which began towards the end of CY 2007, markedly changed production levels for the first quarter of CY 2008. Industry sources report packing plants requiring less "shifts" to slaughter available cattle. Meat and Livestock Australia (MLA), reported January slaughter down 20 percent from the same period of the previous year and the lowest slaughter for that period since 2001. Post acknowledges that January is typically a low slaughter month and that some of the issues constraining slaughter (regional flooding in central Queensland) in January 2008 were temporary.

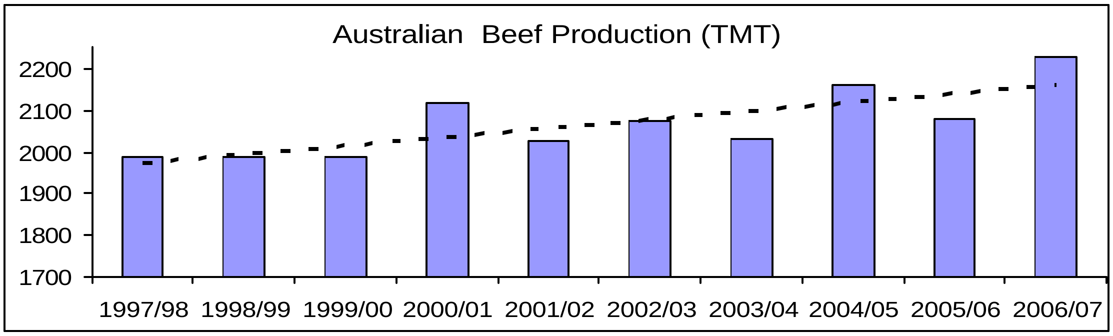


Source: ABARE data (July-June)

Production

Production of Australian beef and veal in 2008 is forecast to fall around over four percent to 2,100 TMT. Post expects that this reduction will be mostly driven by lower slaughter although post has allowed for a slight fall in average carcass weight. The latter will likely be driven by beef and veal producers ceasing to cull older breeding stock and lot feeders reducing their turnoff of larger grain-fed cattle. Larger falls in carcass weights will likely be constrained by higher slaughter weights of grass-fed cattle as pasture conditions improve.

Post advises that a production level of 2,100 TMT is slightly higher than the ten year average of 2,068 TMT established using ABARE's historic data. Average carcass weights have increased significantly over the past ten years with increased feedlot activity combined with increased slaughter of older breeding cattle since the beginning of the drought in CY 2002.



Source: ABARE data (July-June)

Beef and Veal Exports

Exports of Australian beef and veal are forecast to decline over 3.5 percent to 1,350 TMT CWE (carcass weight equivalent), or roughly equivalent to 965 TMT shipped weight (using a conversion factor of 1.4). Despite this fall, this level would be considered historically high with the ten year average just under 1,260 TMT CWE.

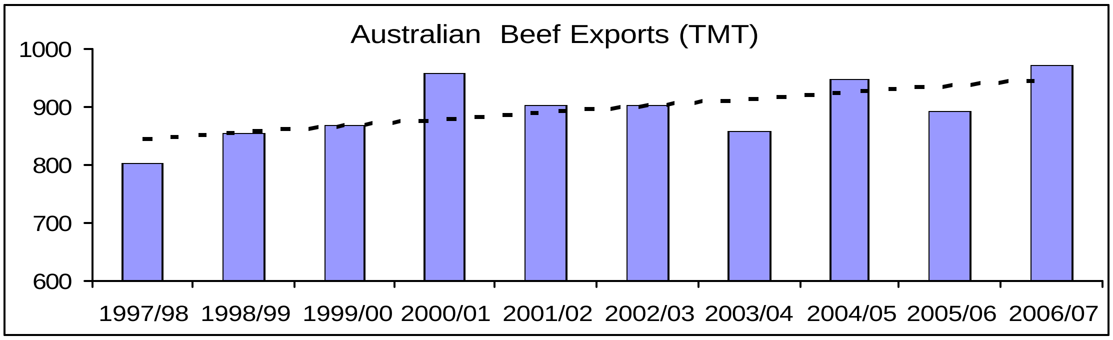
Export demand continues to be historically good, however industry sources report demand to be softening in key export markets while supply costs have increased sharply. The strength of the Australian dollar, which recently reached AU$0.95 has been a factor. Furthermore, domestic grain prices hit record levels during Australia's last cereal harvest. Reportedly, Japanese importers are unable to adsorb these increased costs and so exporters generally anticipate a decline in export shipments for CY 2008.

Post expects that exports to all markets will likely be lower in CY 2008, particularly those markets which have traditionally received high quantities of grain fed beef.

Exports of beef and veal to Korea in CY 2007 reached 209 TMT, just short of the record achieved in the previous year. Despite the overall decline, exports to this country remain 140 percent higher than the pre US BSE levels. However, exports of Australian grain fed beef to Korea reached record levels in CY 2007.

Live Cattle Exports

Live cattle exports are forecast to increase to 800,000 head in CY 2008. Exports have been strong over the past year with exports for the month of December 2007 up 31 percent from the same period for the previous year. Underpinning expanded export growth has been Indonesian demand. Australian exports of live cattle to Indonesia reached a record level in CY 2007. According to industry sources, Indonesian feedlots are likely to continue to expand in CY 2008 and as a result live exports are expected to continue to grow to that country.

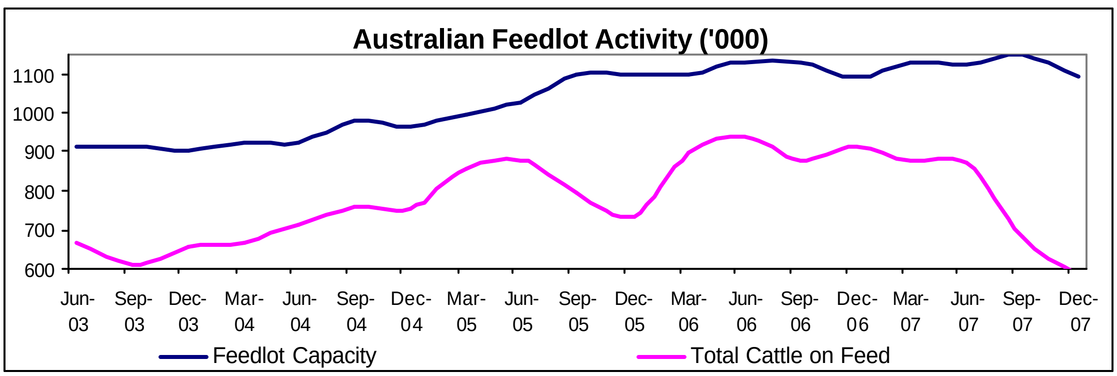


Source: ABARE data (July-June)

Cattle on feed

The total number of cattle on feed has declined rapidly since June 2007 when feed grain supply shortages forced a rapid decline in cattle numbers. Record Australia grain prices have forced feedlots to slaughter cattle at much higher rates than replacement. The number of cattle on feed for the December quarter was just 584,000 head, down on the 909,000 recorded for the same period in the previous year.

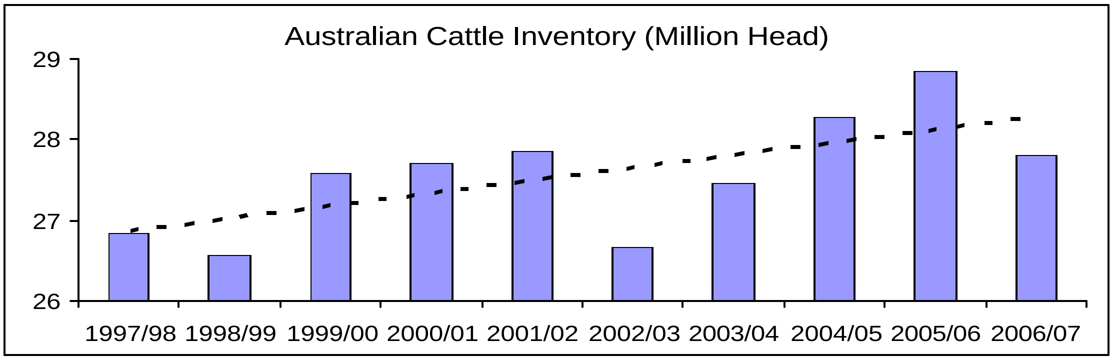
The sharp reduction of cattle on feed will likely reduce the supply of beef suitable for export, particularly for markets which have historically taken large amounts of grain fed beef such as Japan.



Source: ALFA/MLA survey

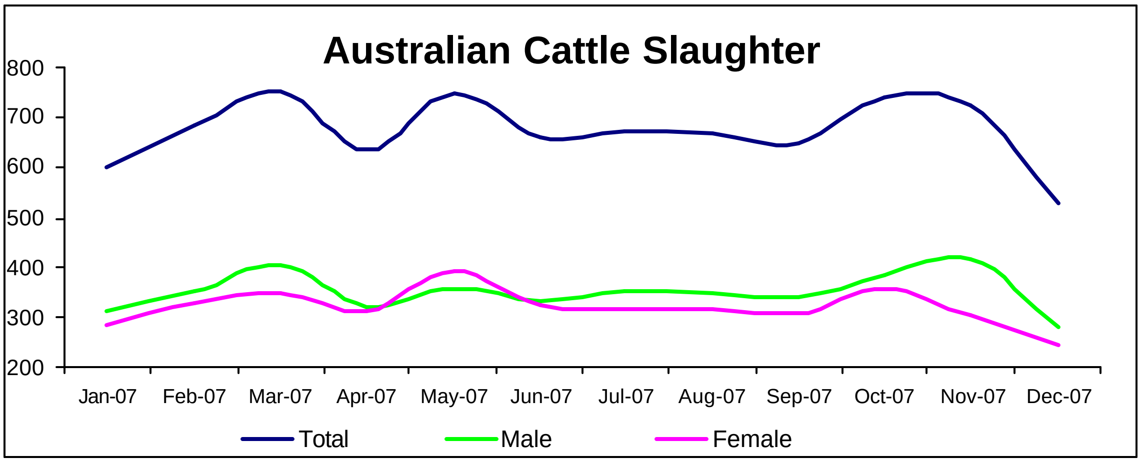
Inventory

Total Cattle inventory for CY 2008 is forecast to close over two percent higher. Improved pasture availability is likely to encourage producers to hold cattle back from slaughter in order to rebuild herds following the long running drought.



Source: ABARE data (July-June)

Recent official Australian Bureau of Statistics (ABS) data shows female slaughter falling below male slaughter in the second half of CY 2008. Post believes that this represents a continuation of the trend toward herd rebuilding in Australia.



Source: ABS Data

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at: http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Report Number	Title of Report	Date
AS8011	Commencement of IRA for U.S. Apples Announced	03/19/08
AS8010	Wheat Industry Export Group Discussion Paper Released	03/18/08
AS8009	Call for Comments on Quarantine & Biosecurity Review	03/17/08
AS8008	Commencement of IRA for Stone Fruit Announced	03/14/08
AS8006	Draft Wheat Export Marketing Bill Released	03/06/08
AS8005	Wine Annual	02/26/08
AS8004	Government Announces Review of Australia's Quarantine & Biosecurity Processes	02/21/08
AS8002	Productivity Commission Invites Further Submissions to Pork Safeguards Inquiry	01/23/08
AS8001	Impact of Grain Prices on GOA Policy	01/11/08
AS7076	Productivity Commission Release Accelerated Report into Pigmeat	12/21/07

	Safeguards	
AS7075	Bulk Wheat Export Applications	12/13/07
AS7074	Potato Report	12/11/07
AS7072	Ag Down Under Vol. 14	12/06/07
AS7071	GM Moratoria to be Lifted in Two States	11/29/07
AS7070	Cotton Quarterly Update	11/29/07
AS7069	Ag Down Under Vol. 13	11/26/07
AS7068	Fresh Deciduous Fruit Report	11/21/07
AS7067	Retail Sector Report	11/08/07
AS7066	Citrus Annual	11/07/07
AS7065	Ag Down Under Vol. 12	11/02/07
AS7063	Dairy & Products Annual	10/24/07
AS7062	Issues Paper – Safeguards Inquiry into Imports of Pig Meat	10/24/07
AS7061	Govt. Announces Safeguards Inquiry into Imports of Pig Meat	10/22/07
AS7060	ALP Wheat Marketing Proposal	10/15/07
AS7059	Ag Down Under Vol. 11, 2007	10/15/07
AS7058	Export Wheat Commission Established	10/15/07
AS7057	Sugar Semi-Annual	10/10/07
AS7056	Biosecurity Australia – Transitional Arrangements for Import Work Program	10/09/07
AS7055	October Grain Lockup	09/28/07
AS7054	Ag Down Under Vol. 10, 2007	09/21/07
AS7053	Livestock Annual	09/20/07