

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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2010

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Report Highlights:

Prospects for the Australian cattle industry have been remarkably transformed due improved climatic conditions experienced over the calendar year-to-date. Inventories of cattle are expected to grow as slaughter declines and this will likely see production and exports of beef (and to a lesser extent live cattle) decline. Closing inventory for CY 2011 is forecast at 28.5 million head, the highest since 1978. Total pig slaughter is forecast to increase in CY 2011, as is production and to a lesser extent exports.

Executive Summary:

Prospects for the Australian cattle industry have been remarkably transformed due improved climatic conditions experienced over the calendar year-to-date. Heavy falls of rain, which began on Christmas day 2009, have dramatically improved soil moisture and pasture conditions as well as water storage levels. Irrigation water allocations will likely improve over the longer term.

Improved rainfall in CY 2010 followed prolonged and severe drought which began in CY 2002 and persisted until CY 2009. This period of drought witnessed higher than average cattle slaughter levels, production and exports. Inventories were also constrained during the 2002-2009 period, despite high prices.

Since the return to more normal weather conditions, a surge in cattle inventories has already been recorded, with closing inventory for CY 2009 revised upward by almost one million head. Further increases in closing inventory are also expected for CY 2010 and CY 2011 as cattle producers withhold stock from slaughter for breeding purposes. Also, wet weather in CY 2010 has seen large areas of inland Australia flooded and, in the most extreme cases, has disrupted the movement of livestock for slaughter.

Moving forward, inventories of cattle are expected to grow as slaughter declines and this will likely see production and exports of beef (and to a lesser extent live cattle) decline. The decline in production and exports will be somewhat constrained by improved slaughter weights as a result of improved pasture conditions.

Beyond the forecast period, further growth in inventory could cause concern as herd numbers grow to historical highs. Closing inventory for CY 2011 is forecast at 28.5 million head, the highest since 1978. The record for cattle inventory stands at 32.67 million head and was set in 1977, following the beef price crash of the mid seventies.

Total pig slaughter is forecast to increase in CY 2011, as is production and to a lesser extent exports. Improved fodder and grain supplies are expected to see production expand following years of drought and poor profitability. However, Post has revised its forecasts for rate of growth downwards in line with year-to-date figures for CY 2010. Post believes that recovery from drought towards levels of production more reflective of the longer term average will now be a slower process due to the unforeseen level of retired capital and the number of growers that have exited the industry.

Commodities:

Animal Numbers, Cattle

Meat, Beef and Veal

Animal Numbers, Swine

Meat, Swine

Production, Supply and Demand Data Statistics

| Animal Numbers, Cattle | | | | | | | | | | |
|------------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|-------------|
| | 2009 Revised | | | 2010 Estimate | | | 2011 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 | | 01/2009 | 01/2009 | | 01/2010 | 01/2010 | | 01/2011 | 01/2011 | MM/YYYY |
| Total Cattle Beg. Stks | 27,321 | 27,321 | 27,321 | 27,007 | 27,007 | 27,907 | | | 28,250 | (1000 HEAD) |
| Dairy Cows Beg. Stocks | 1,645 | 1,645 | 1,676 | 1,665 | 1,665 | 1,690 | | | 1,700 | (1000 HEAD) |
| Beef Cows Beg. Stocks | 12,447 | 12,447 | 12,903 | 12,990 | 12,990 | 13,400 | | | 13,800 | (1000 HEAD) |
| Production (Calf Crop) | 9,213 | 9,215 | 10,145 | 10,158 | 10,158 | 9,708 | | | 9,325 | (1000 HEAD) |
| Intra-EU Imports | 0 | 0 | | 0 | 0 | | | | | (1000 HEAD) |
| Other Imports | 0 | 0 | | 0 | 0 | | | | | (1000 HEAD) |
| Total Imports | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | (1000 HEAD) |
| Total Supply | 36,534 | 36,536 | 37,466 | 37,165 | 37,165 | 37,615 | | | 37,575 | (1000 HEAD) |
| Intra EU Exports | 0 | 0 | | 0 | 0 | | | | | (1000 HEAD) |
| Other Exports | 946 | 948 | 954 | 915 | 915 | 915 | | | 850 | (1000 HEAD) |
| Total Exports | 946 | 948 | 954 | 915 | 915 | 915 | | | 850 | (1000 HEAD) |
| Cow Slaughter | 3,913 | 3,913 | 3,813 | 2,875 | 2,875 | 2,875 | | | 2,475 | (1000 HEAD) |
| Calf Slaughter | 780 | 780 | 780 | 825 | 825 | 790 | | | 750 | (1000 HEAD) |
| Other Slaughter | 3,813 | 3,813 | 3,937 | 4,700 | 4,700 | 4,735 | | | 4,975 | (1000 HEAD) |
| Total Slaughter | 8,506 | 8,506 | 8,530 | 8,400 | 8,400 | 8,400 | | | 8,200 | (1000 HEAD) |
| Loss | 75 | 75 | 75 | 50 | 50 | 50 | | | 25 | (1000 HEAD) |
| Ending Inventories | 27,007 | 27,007 | 27,907 | 27,800 | 27,800 | 28,250 | | | 28,500 | (1000 HEAD) |
| Total Distribution | 36,534 | 36,536 | 37,466 | 37,165 | 37,165 | 37,615 | | | 37,575 | (1000 HEAD) |
| CY Imp. from U.S. | 0 | 0 | | 0 | 0 | 0 | | | | (1000 HEAD) |
| CY. Exp. to U.S. | 0 | 0 | | 0 | 0 | 0 | | | | (1000 HEAD) |
| Balance | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | (1000 HEAD) |
| Inventory Balance | -314 | -314 | 586 | 793 | 793 | 343 | | | 250 | (1000 HEAD) |
| Inventory Change | -3 | -3 | -3 | -1 | -1 | 2 | | | 1 | (PERCENT) |
| Cow Change | -2 | 0 | -2 | 4 | 0 | 0 | | | 0 | (PERCENT) |

| | | | | | | | | | | |
|-------------------------------|-----|-----|-----|-----|-----|-----|--|--|-----|-------------|
| Production Change | 1 | 1 | 1 | 10 | 10 | -4 | | | -4 | (PERCENT) |
| Production to Cows | 65 | 65 | 70 | 69 | 69 | 64 | | | 60 | (PERCENT) |
| Trade Balance | 946 | 948 | 954 | 915 | 915 | 915 | | | 850 | (1000 HEAD) |
| Slaughter to Inventory | 31 | 31 | 31 | 31 | 31 | 30 | | | 29 | (PERCENT) |

Meat, Beef and Veal

| | 2009 Revised | | | 2010 Estimate | | | 2011 Forecast | | | UOM |
|------------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|----------------|---------------|-------------------|---------------|
| | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USD A Official | Post Estimate | Post Estimate New | |
| Market Year Begin | | 01/2009 | 01/2009 | | 01/2010 | 01/2010 | | 01/2011 | 01/2011 | MM/YYYY |
| Slaughter (Reference) | 8,506 | 8,600 | 8,530 | 8,400 | 8,400 | 8,400 | | | 8,200 | (1000 HEAD) |
| Beginning Stocks | 115 | 115 | 115 | 114 | 108 | 143 | | | 146 | (1000 MT CWE) |
| Production | 2,100 | 2,095 | 2,129 | 2,075 | 2,075 | 2,100 | | | 2,050 | (1000 MT CWE) |
| Intra-EU Imports | 0 | 0 | | 0 | 0 | | | | | (1000 MT CWE) |
| Other Imports | 8 | 8 | 8 | 8 | 8 | 8 | | | 8 | (1000 MT CWE) |
| Total Imports | 8 | 8 | 8 | 8 | 8 | 8 | | | 8 | (1000 MT CWE) |
| Total Supply | 2,223 | 2,218 | 2,252 | 2,197 | 2,191 | 2,251 | | | 2,204 | (1000 MT CWE) |
| Intra EU Exports | 0 | 0 | | 0 | 0 | | | | | (1000 MT CWE) |
| Other Exports | 1,364 | 1,365 | 1,364 | 1,350 | 1,350 | 1,350 | | | 1,325 | (1000 MT CWE) |
| Total Exports | 1,364 | 1,365 | 1,364 | 1,350 | 1,350 | 1,350 | | | 1,325 | (1000 MT CWE) |
| Human Dom. Consumption | 745 | 745 | 745 | 755 | 755 | 755 | | | 745 | (1000 MT CWE) |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | | | | | (1000 MT CWE) |
| Total Dom. Consumption | 745 | 745 | 745 | 755 | 755 | 755 | | | 745 | (1000 MT CWE) |
| Ending Stocks | 114 | 108 | 143 | 92 | 86 | 146 | | | 134 | (1000 MT CWE) |
| Total Distribution | 2,223 | 2,218 | 2,252 | 2,197 | 2,191 | 2,251 | | | 2,204 | (1000 MT CWE) |
| CY Imp. from U.S. | 0 | 0 | | 0 | 0 | | | | | (1000 MT CWE) |
| CY. Exp. to U.S. | 340 | 400 | | 0 | 0 | | | | | (1000 MT CWE) |
| Balance | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | (1000 MT) |

| | | | | | | | | | | |
|-------------------------------|------------|------------|------------|------------|------------|------------|--|--|------------|-----------------------------|
| | | | | | | | | | | CWE) (1000 MT CWE) |
| Inventory Balance | -1 | -7 | 28 | -22 | -22 | 3 | | | -12 | |
| Weights | 247 | 244 | 250 | 247 | 247 | 250 | | | 250 | (1000 MT CWE) |
| Production Change | -3 | -3 | -3 | -1 | -1 | -1 | | | -2 | (PERCENT) |
| Import Change | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | (PERCENT) |
| Export Change | -3 | -3 | -3 | -1 | -1 | -1 | | | -2 | (PERCENT) |
| Trade Balance | 1,356 | 1,357 | 1,356 | 1,342 | 1,342 | 1,342 | | | 1,317 | (1000 MT CWE) |
| Consumption Change | 1 | 1 | 1 | 1 | 1 | 1 | | | -1 | (PERCENT) |
| Population | 21,262,641 | 21,007,310 | 21,262,641 | 21,515,754 | 21,007,310 | 21,262,641 | | | 21,262,641 | (HEAD) |
| Per Capita Consumption | 35 | 36 | 35 | 35 | 36 | 36 | | | 35 | (KG) |

Animal Numbers, Swine

| | 2009 Revised | | | 2010 Estimate | | | 2011 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 | | 01/2009 | 01/2009 | | 01/2010 | 01/2010 | | 01/2011 | 01/2011 | MM/YYYY |
| Total Beginning Stocks | 2,412 | 2,236 | 2,412 | 2,236 | 2,300 | 2,302 | | | 2,450 | (1000 HEAD) |
| Sow Beginning Stocks | 241 | 241 | 242 | 263 | 263 | 260 | | | 270 | (1000 HEAD) |
| Production (Pig Crop) | 4,609 | 4,609 | 4,467 | 4,900 | 4,900 | 4,748 | | | 4,750 | (1000 HEAD) |
| Intra-EU Imports | 0 | 0 | | 0 | 0 | | | | | (1000 HEAD) |
| Other Imports | 0 | 0 | | 0 | 0 | | | | | (1000 HEAD) |
| Total Imports | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | (1000 HEAD) |
| Total Supply | 7,021 | 6,845 | 6,879 | 7,136 | 7,200 | 7,050 | | | 7,200 | (1000 HEAD) |
| Intra EU Exports | 0 | 0 | | 0 | 0 | | | | | (1000 HEAD) |
| Other Exports | 0 | 0 | | 0 | 0 | | | | | (1000 HEAD) |
| Total Exports | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | (1000 HEAD) |
| Sow Slaughter | 0 | 0 | | 0 | 0 | | | | | (1000 HEAD) |
| Other Slaughter | 4,785 | 4,545 | 4,577 | 4,686 | 4,750 | 4,600 | | | 4,700 | (1000 HEAD) |
| Total Slaughter | 4,785 | 4,545 | 4,577 | 4,686 | 4,750 | 4,600 | | | 4,700 | (1000 HEAD) |
| Loss | 0 | 0 | | 0 | 0 | | | | | (1000 HEAD) |
| Ending Inventories | 2,236 | 2,300 | 2,302 | 2,450 | 2,450 | 2,450 | | | 2,500 | (1000 HEAD) |
| Total Distribution | 7,021 | 6,845 | 6,879 | 7,136 | 7,200 | 7,050 | | | 7,200 | (1000 HEAD) |
| CY Imp. from U.S. | 0 | 0 | | 0 | 0 | | | | | (1000 HEAD) |
| CY. Exp. to U.S. | 0 | 0 | | 0 | 0 | | | | | (1000 HEAD) |
| Balance | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | (1000 HEAD) |
| Inventory Balance | -176 | 64 | -110 | 214 | 150 | 148 | | | 50 | (1000 HEAD) |
| Inventory Change | -7 | -14 | -7 | -7 | 3 | -5 | | | 6 | (PERCENT) |
| Sow Change | -8 | -8 | -8 | 9 | 9 | 7 | | | 4 | (PERCENT) |
| Production Change | 3 | 3 | 3 | 6 | 6 | 6 | | | 0 | (PERCENT) |
| Production to Sows | 19. | 19. | 18.5 | 19. | 19. | 18.3 | | | 17.6 | (PERCENT) |
| Trade Balance | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | (1000 HEAD) |
| Slaughter to | 198 | 203 | 190 | 210 | 207 | 200 | | | 192 | (PERCENT) |

Meat, Swine

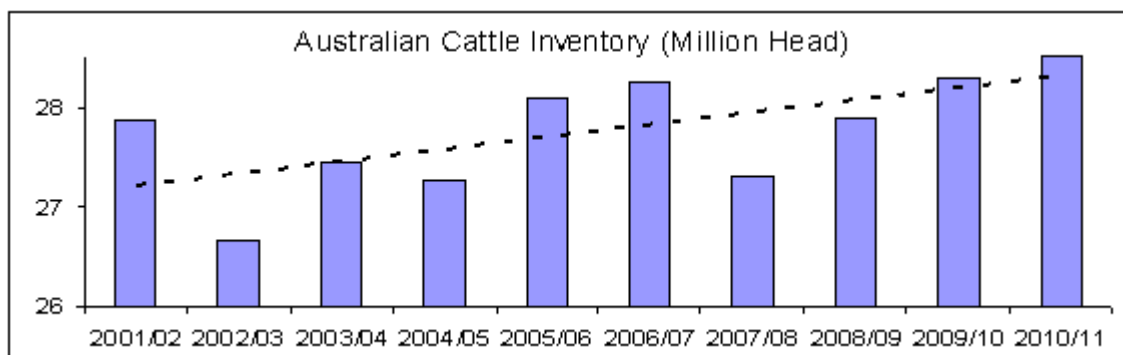
| | 2009 Revised | | | 2010 Estimate | | | 2011 Forecast | | | UOM |
|------------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|---------------|
| | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | |
| Market Year Begin | | 01/2009 | 01/2009 | | 01/2010 | 01/2010 | | 01/2011 | 01/2011 | MM/YYYY |
| Slaughter (Reference) | 4,545 | 4,545 | 4,577 | 4,750 | 4,750 | 4,600 | | | 4,700 | (1000 HEAD) |
| Beginning Stocks | 33 | 33 | 33 | 29 | 29 | 29 | | | 37 | (1000 MT CWE) |
| Production | 327 | 327 | 327 | 346 | 346 | 327 | | | 346 | (1000 MT CWE) |
| Intra-EU Imports | 0 | 0 | 0 | 0 | 0 | | | | | (1000 MT CWE) |
| Other Imports | 176 | 176 | 176 | 175 | 175 | 195 | | | 200 | (1000 MT CWE) |
| Total Imports | 176 | 176 | 176 | 175 | 175 | 195 | | | 200 | (1000 MT CWE) |
| Total Supply | 536 | 536 | 536 | 550 | 550 | 551 | | | 583 | (1000 MT CWE) |
| Intra EU Exports | 0 | 0 | 0 | 0 | 0 | | | | | (1000 MT CWE) |
| Other Exports | 40 | 40 | 40 | 46 | 46 | 39 | | | 40 | (1000 MT CWE) |
| Total Exports | 40 | 40 | 40 | 46 | 46 | 39 | | | 40 | (1000 MT CWE) |
| Human Dom. Consumption | 467 | 467 | 467 | 475 | 475 | 475 | | | 480 | (1000 MT CWE) |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | | | | | (1000 MT CWE) |
| Total Dom. Consumption | 467 | 467 | 467 | 475 | 475 | 475 | | | 480 | (1000 MT CWE) |
| Ending Stocks | 29 | 29 | 29 | 29 | 29 | 37 | | | 63 | (1000 MT CWE) |
| Total Distribution | 536 | 536 | 536 | 550 | 550 | 551 | | | 583 | (1000 MT CWE) |
| CY Imp. from U.S. | 59 | 55 | 59 | 55 | 55 | 67 | | | 70 | (1000 MT CWE) |
| CY. Exp. to U.S. | 0 | 0 | | 0 | 0 | | | | | (1000 MT CWE) |
| Balance | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | (1000 MT CWE) |
| Inventory Balance | -4 | -4 | -4 | 0 | 0 | 8 | | | 26 | (1000 MT CWE) |
| Weights | 72 | 72 | 71 | 73 | 73 | 71 | | | 74 | (1000 MT CWE) |
| Production Change | -6 | -6 | -6 | 6 | 6 | 0 | | | 6 | (PERCENT) |
| Import Change | 16 | 16 | 16 | -1 | -1 | 11 | | | 3 | (PERCENT) |
| Export Change | -17 | -17 | -17 | 15 | 15 | -3 | | | 3 | (PERCENT) |
| Trade Balance | -136 | -136 | -136 | -129 | -129 | -156 | | | -160 | (1000 MT CWE) |
| Consumption Change | 2 | 2 | 2 | 2 | 2 | 2 | | | 1 | (PERCENT) |

BEEF

Inventory

Closing inventory for CY 2010 is forecast by Post at 28.5 million head, up around 250,000 head on the previous year and the highest closing inventory since 1978. Lower slaughter numbers, due to improved seasonal conditions are expected to see inventories build as producers withhold stock from slaughter for breeding purposes. Within this increase, breeding cow numbers are forecast to increase by 200,000 head.

Closing inventory for CY 2010 has been revised upwards to 28.25 million head, up sharply on Post's previous estimates. The bulk of this increase has been driven by the recent release of an Australian Bureau of Statistics (ABS) report that put inventories for CY 2009 (year previous) at over 500,000 head higher than Post's previous report.



Source: ABARE data (July-June)

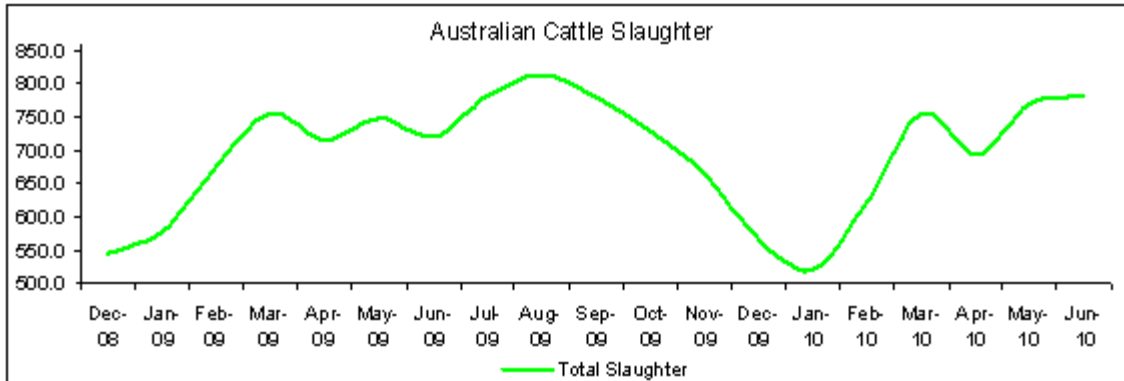
Improved rainfall in CY 2010, combined with assumed average weather conditions in CY 2011, will likely see inventories continue to build beyond the forecast period, given average seasonal conditions. A return to drought conditions would likely see inventory fall and slaughter increase.

Slaughter

Total slaughter for CY 2011 is forecast at 8.2 million head, down 200,000 head on the previous year and the lowest slaughter level since CY 1996. Improved seasonal conditions in CY 2010, combined with assumed average seasonal conditions in CY 2011 are expected to see pasture conditions and fodder supplies continue to improve. Inventories will likely rise over this period and this will constrain slaughter to historically low levels.

The slaughter estimates for CY 2010, at 8.4 million head, is unchanged from Post's previous report and down on the figure reported for CY 2009. Official year-to-date data (Jan-Jun) for CY 2010 shows a decline on the same period for CY 2009. This decline will persist into the second half of CY 2010 and into CY 2011.

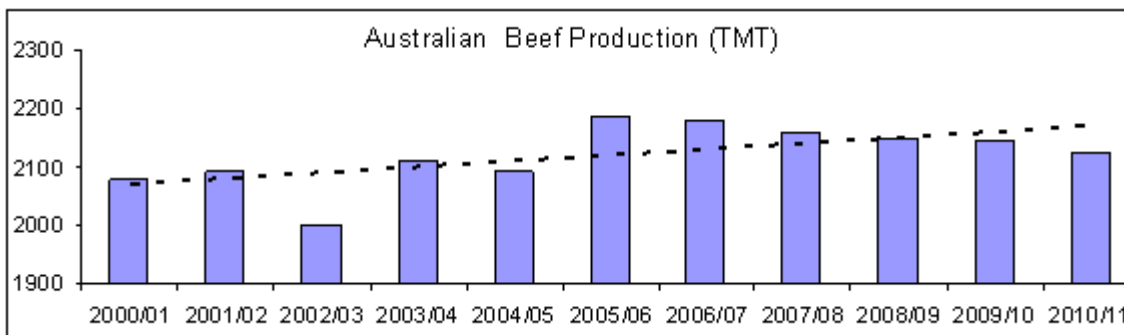
Total slaughter for CY 2009 has been revised upward slightly to 8.53 million head in line with recently released official ABS data.



Source: ABS Data

Production

Total beef production for CY 2011 is forecast to fall to 2,050 TMT, the lowest level since 2002/03 according to historical data. This decline in slaughter will result in production falling to historically low levels. However, due to improved seasonal conditions, Post has allowed for an increase in average carcass weight, partially offsetting the decline in production. Improved pasture conditions are expected to see slaughter weights increase in CY 2010 and again in CY 2011.



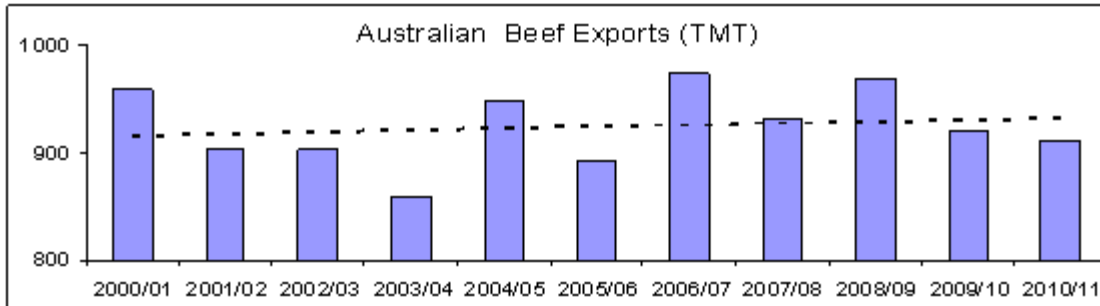
Source: ABARE data (July-June)

Beef and veal production for CY 2010 is estimated at 2,100 MT Carcass Weight Equivalent (CWE), almost unchanged from Post's previous report. Official year-to-date data (Jan-Jun) for CY 2010 shows similar production compared with the same period for CY 2009. However, production is likely to decline in the second half of CY 2010 due to continually improving pasture conditions.

Exports

Total beef and veal exports for CY 2011 are forecast at 1,325 TMT (CWE), down on the previous year. This would equate to around 945 TMT in shipped weight, using a conversion factor of 1.4 and would be considered the lowest level since 2005/06.

Exports for CY 2010 remain unchanged at 1,350 TMT, down slightly on the 1,364 TMT for CY 2009. Year-to-date data for CY 2010 shows exports trending six percent lower. However, exports will most likely improve in the second half of CY 2010 lifting full year exports to just under the level of CY 2009.

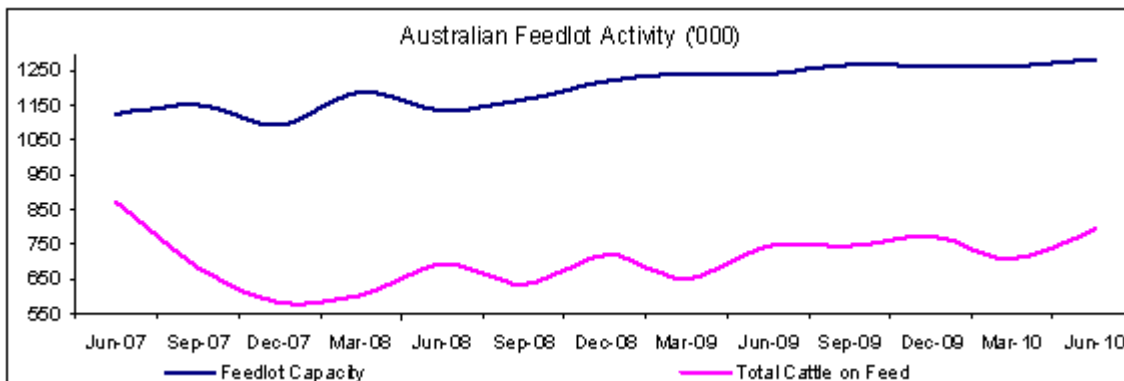


Source: ABARE Data (July-June), Shipped Weight

Feedlots

Australian feedlot activity continues to build slowly from the historic lows experienced during the worst periods of drought. Improved fodder supplies and lower grain prices have allowed the cattle lot feeding sector to expand by 11 percent in the June quarter of CY 2010 reaching 744,000 head. Despite this increase, feedlot utilization remains well below the 940,000 head reached in June 2006.

The Australian feedlot sector is expected to grow steadily for the foreseeable future as supplies of fodder continue to improve following drought conditions. Increased numbers of cattle on feed should see average carcass weights increase slightly, as the proportion of heavier grain fed cattle slaughtered increases on a national basis.



Source: MLA/ALFA data

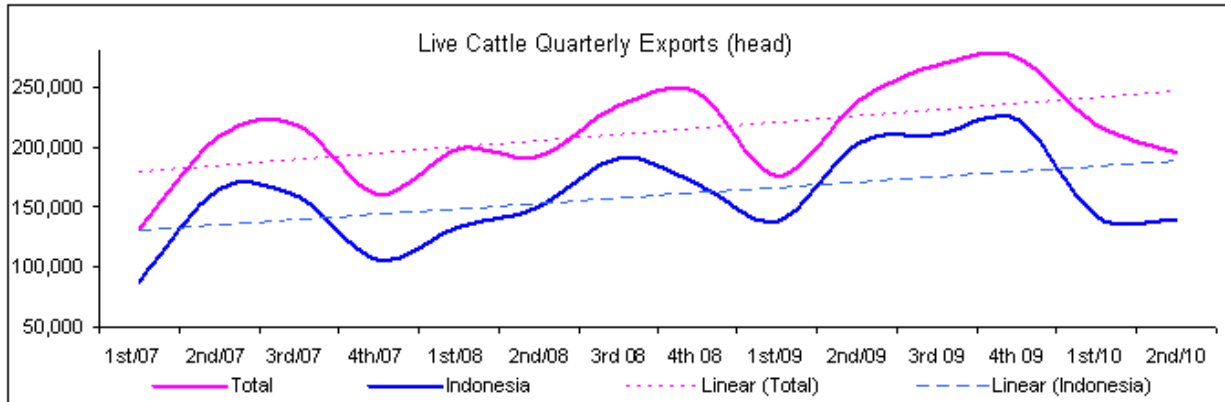
Utilization of feedlot capacity continues to be a challenge for the Australian feedlot sector. Inability to source adequate supplies of grain during drought periods, combined with periodic shortfalls in the supply of feeder cattle, continue to see this sector operating well below capacity. Going forward, improved pasture conditions are expected to provide a potential constraint with grass fattening becoming a cheaper alternative to lot feeding.

Live Exports

Live exports of cattle for CY 2011 are forecast to fall considerably to 850,000 head, well below the 915,000 head estimated for CY 2010. Improved seasonal conditions and herd expansion have slowed the supply of live cattle suitable for export, while changes in shipping requirements in a key market has effectively limited trade.

Recent changes to Indonesian import policy has seen the maximum weight for cattle accepted into that market now enforced at 350 kilograms on a live weight basis, well under the average live weights for cattle traditionally exported to this market.

The Australian live export industry continues to operate on a cyclical basis, principally driven by the Indonesian market. According to official trade data, Indonesia has traditionally accounted for approximately three quarters of Australian live cattle exports.



Source: World Trade Atlas data

Also, industry sources suggest that a slower process for issuing import permits for Australian cattle exported to Indonesia has been implemented. These have effectively slowed exports of live cattle to this destination, and caused Post to revise live exports downward for CY 2011 and CY 2010.

Policy

Changes in BSE policy

Biosecurity Australia (BA) commenced three separate Import Risk Analyses (IRA's) in April assessing the quarantine and health risks of applications to import beef from the United States, Canada and Japan. These countries had applied for market access on March 1 this year, following a lifting on the restrictions on beef imports from countries which have detected bovine spongiform encephalopathy (BSE).

A more stringent IRA process was subsequently imposed by the Australian Government to help safeguard public confidence in Australian beef production and the country's quarantine system following public pressure over the decision to lift these restrictions. This new process was seen as a reversal of the previous decision to recommence trade.

The IRAs form a separate and parallel process to that being conducted by Food Standards Australia New Zealand (FSANZ) to assess potential food safety risks from beef from countries that have previously had outbreaks of BSE. FSANZ has begun the process of assessing applications from the US, Japan and New Zealand.

As part of the IRA process, Biosecurity Australia scientists will visit the applicant countries alongside FSANZ to assess relevant issues. An independent eminent scientists group will review each IRA within the two-year timeframe.

On May 10, BA announced that it had 'stopped-the-clock' on the Japanese application because of the foot and Mouth disease outbreak in that country

US Beef Trade Media Reports

A coalition of cattle producers and consumer advocates have accused the United States of exporting beef to Australia despite a ban due to bovine spongiform encephalopathy (BSE), or mad cow disease. The group has sighted US Department of Agriculture figures showing beef (including live cattle, carcasses, whole cuts and processed meat) being exported to Australia throughout the ban, which began in 2003 after a detection of mad cow disease in the US.

The federal Department of Agriculture in Australia said it had not issued any import permits for fresh or frozen US beef since 2003.

Exports to Chile

A new international agreement between Australia and Chile has removed a major trade hurdle and opens the way for greater Australian beef exports to Chile. A Memorandum of Understanding (MoU) was signed on April 15, 2010 by Australia's Minister for Trade Simon Crean and Chile's Minister for Foreign Affairs, Alfredo Moreno under which Chile will recognize Australia's beef grading system, AUS-MEAT, as meeting the aims and objectives of the Chile beef grading system. This change removes what the Australian industry considers one of the largest barriers facing Australian beef exports to Chile – the cost of employing Chilean beef graders.

The agreement to proceed with a MoU was contained in a side letter to the Australia-Chile Free Trade Agreement (FTA) which entered into force on March 6, 2009. The FTA resulted in elimination of the 6% tariff on beef, lamb, mutton, offal, goat and processed product.

"Given an expected drop in beef supply from neighboring markets such as Argentina and Brazil, Australian exporters are now well-positioned to take advantage of that gap in the market," Minister Crean said.

The Australian meat industry exported 1,703 metric tons of beef products to Chile last financial year, valued at A\$63 million. This represents 92% of total Australian agricultural exports to Chile.

During his recent visit to Latin America, Mr. Crean also signed an MoU with Mexico's Minister for Agriculture, Francisco Mayorga on agricultural cooperation. A similar arrangement was signed with Chile in August last year.

"These cooperative arrangements with Mexico and Chile are forging a strong connection between our governments and agriculture industries, supporting shared research and development in areas including a changing climate, agricultural innovation and biotechnology," Agriculture Minister Tony Burke said.

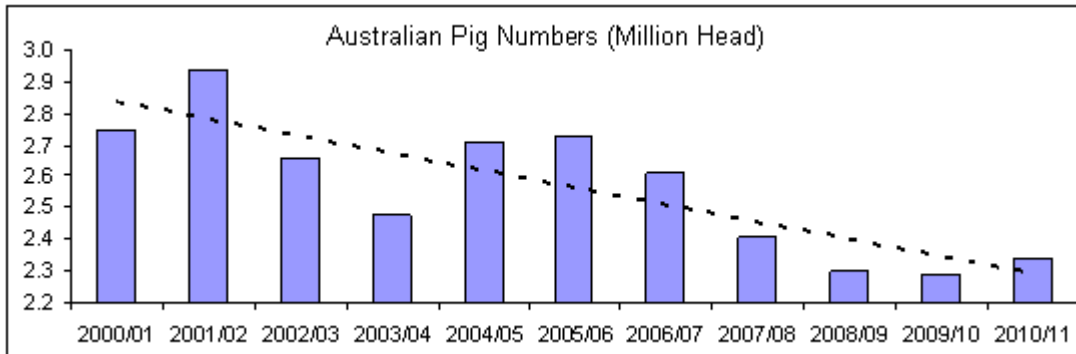
Mexico and Chile are respectively Australia's second and third largest trading partners in Latin America.

SWINE

Inventory

Swine closing inventories for CY 2011 are forecast at 2.5 million head, up on the 2.45 million head estimated for CY 2010. Closing inventory for CY 2009 has been revised upwards from 2.3 million head to 2.302 million head, in line with recently released official ABS statistics.

Pig inventories are expected to continue building as supplies of fodder and feed grain also continue to rebuild following years of drought. Poor returns and record high grain prices had seen pig numbers fall considerably in Australia from 2005/06 to 2009/10, according to historical data.

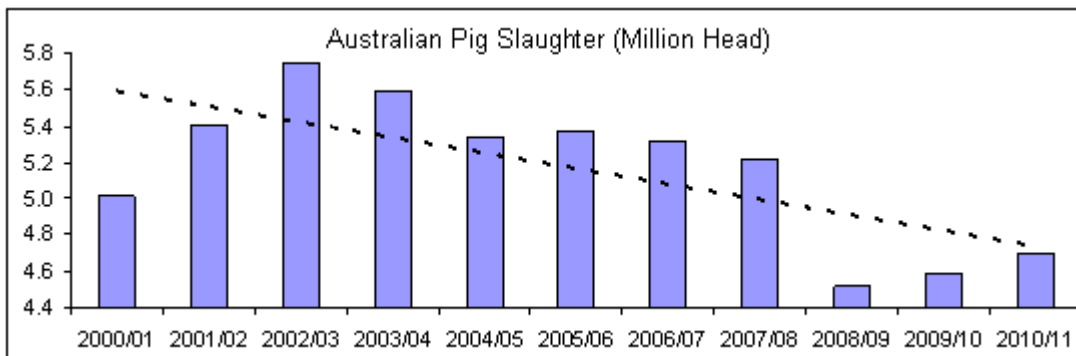


Source: ABARE Data (July-June)

Slaughter

Total pig slaughter for CY 2011 is forecast at 4.7 million head. Slaughter for CY 2010 has been revised downwards to 4.6 million head, well below Post's previous estimate. Year-to-date slaughter figures for CY 2010 show slaughter at levels below the same period for CY 2009.

The pig meat industry is believed to be recovering more slowly than previously anticipated. Very harsh economic conditions since the drought began in CY 2002 have seen significant levels of productive capacity retired and many producers exit the industry. Post believes that, moving forward, this will continue to partially constrain growth despite the recent improvements in profitability.

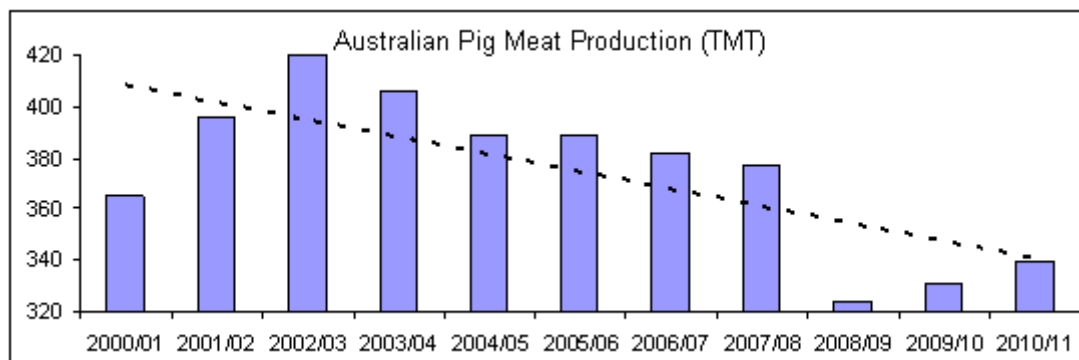


Source: ABARE Data (July-June)

Production

Total pig meat production for CY 2011 is forecast at 346 TMT, up slightly on the revised estimate for the previous year. Increased production is primarily driven by increased slaughter as the industry slowly begins to recover following a year of poor prices and declining slaughter numbers.

Production estimates for CY 2010 have been revised downwards in line with partial year production data for CY 2010. The recovery process will likely be slower than previously expected.

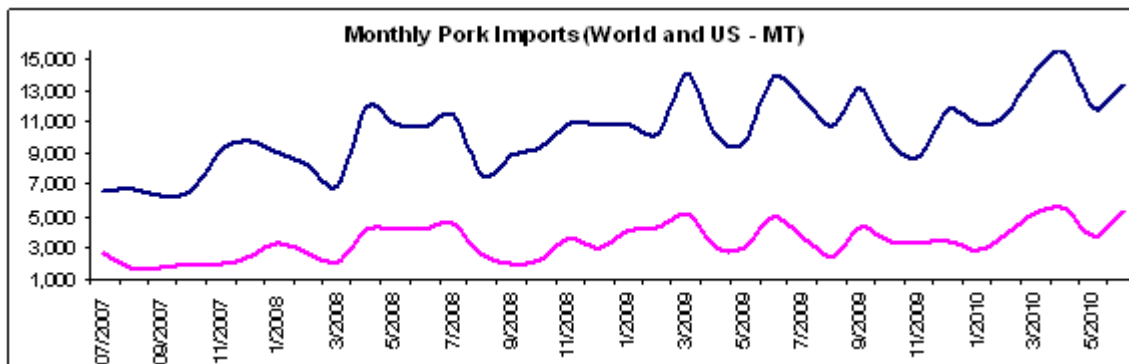


Source: ABARE Data (July-June)

Trade

Total imports for CY 2011 are forecast at 200 TMT (CWE), slightly up on CY 2010. Despite this increase, post believes that increasing local production will likely place some constraint up future growth in pig meat imports.

Imports of pig meat for CY 2010 have been revised upwards to a record 195 TMT, surpassing previous expectations. Mid year import data shows strong growth in pig meat imports. Imports of pig meat from the US continue to trend in line with total imports.



Source: World Trade Atlas data

Total exports of pig meat for CY 2011 are forecast to increase only slightly to 40 TMT (CWE) as the industry slowly increases production following years of poor returns. Exports for CY 2010 have been revised downwards in line with recent mid year data showing exports lower than previously expected. Despite this increase, if achieved, this level of exports would remain well below the long-term average.



Source: ABARE Data (July-June)

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| Title of Report | Date |
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| Ag DownUnder Issue 5, 2010 | 07/22/10 |
| Food & Agriculture Import Regulations & Standards Report | 07/21/10 |
| Agricultural Biotechnology Annual | 07/14/10 |
| Biofuels Annual 2010 | 07/06/10 |
| Ag DownUnder Issue 4 2010 | 06/25/10 |
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| Ag DownUnder Issue 3 2010 | 06/11/10 |