Required Report - public distribution

Date: 2/28/2018
GAIN Report Number: AS1804

Australia

Livestock and Products Semi-annual

March 2018

Approved By:
Rey Santella, Agricultural Counselor

Prepared By:
Roger Farrell, Agricultural Specialist

Report Highlights:
Australian cattle numbers are expected to slightly increase in 2018, although the seasonal outlook remains uncertain. Pasture growth has been variable and a worsening of dry conditions could increase slaughter rates in some regions. Slaughter is forecast at 7.9 million in 2018, with beef and veal production expected to increase to 2.2 million MT, due to rising carcass weights. Beef and veal exports are forecast at 1.5 million MT due to higher production. Supply constraints and lower demand are expected to decrease live cattle exports to 0.9 million head. Post forecasts pig slaughter at 5.3 million, with pig meat production expanding to 0.42 million MT in 2018.

Commodities:
Animal Numbers, Cattle
Animal Numbers, Swine
Meat, Beef and Veal
Meat, Swine

EXECUTIVE SUMMARY

Post forecasts the Australian cattle herd to reach 26.7 million head in 2018, slightly above the official forecast of 26.5 million head. However, unfavorable weather conditions and poor pasture could slow herd rebuilding efforts. Trade sources indicate that herd expansion is more likely to occur in Victoria and New South Wales (NSW), but the drier outlook for Queensland is already leading to higher slaughter rates.

In 2018, cattle slaughter is forecast at 7.9 million head, slightly below the official forecast of 8.05 million because of uncertain weather conditions. Post expects overall cow slaughter to slow in 2018 to 3.25 million head (41 percent of total slaughter) as female stock is retained, although this trend is rising in Queensland. This area produces an estimated 40-50 percent of Australia's cattle herd. 2018 beef and veal production is expected to increase to 2.2 million metric tons (MMT), slightly below the official forecast of 2.3 MMT. This revision reflects an expected lower slaughter rate and higher carcass weights. The number of grain-fed cattle in feedlots is expected to remain stable due to less pasture availability and a fall in feeder cattle prices. 2018 per capita beef consumption is expected to stable.

Post forecasts 2018 beef exports to increase slightly to 1.5 MMT due to increasing production and higher carcass weights. Beef exports to the United States, however, are likely to decline as a result of increased import competition, domestic herd rebuilding, and a stronger Australian dollar. Live cattle exports are expected to fall to 900,000 head in 2018 due to higher domestic cattle prices, rising Australian dollar, and market access issues in key markets.

In 2018, the Australia's pig herd is forecast at 2.2 million head with an estimated sow herd of 240,000. Post notes that the sow herd population was revised downwards by the by the Australian Bureau of Statistics. Australian pig slaughter is expected to be 5.3 million, the highest in over eight years. Pig meat production in 2018 is expected to reach 420,000 metric tons (MT), slightly above the official forecast.

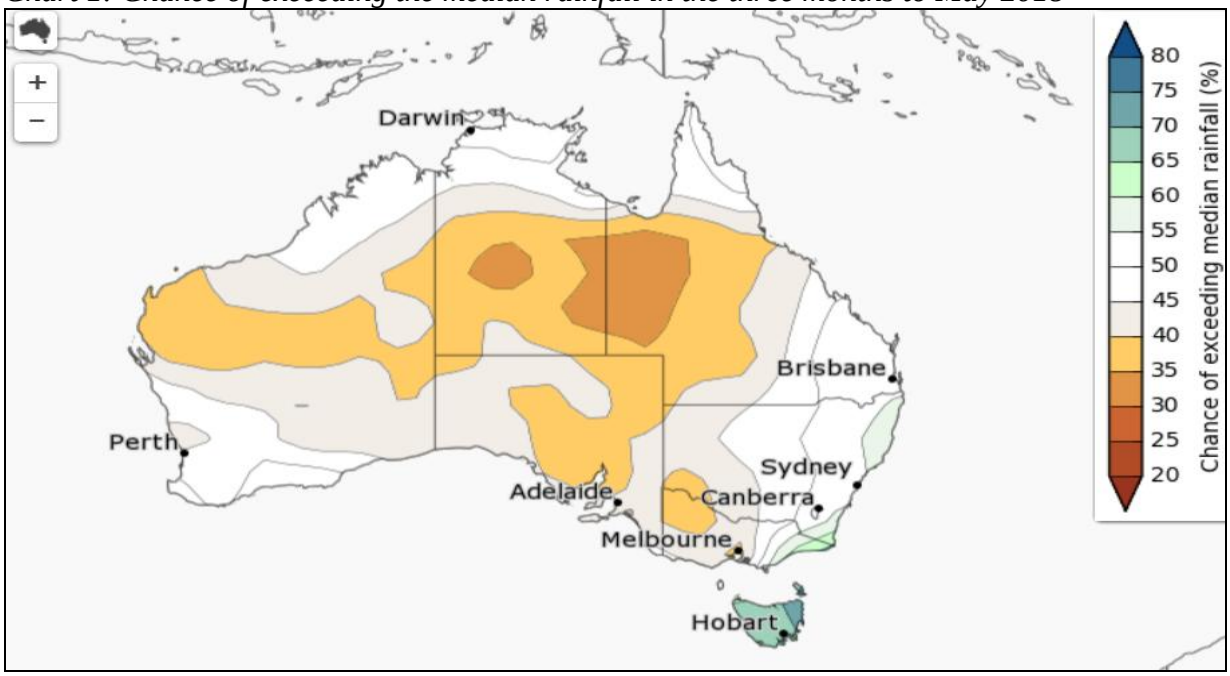
Post forecasts Australian pig meat exports at 45,000 MT in 2018, reflecting increased production. Imports of fresh, chilled and bone-in pig meat into Australia are prohibited under biosecurity regulations, as are imports of genetic material. Frozen pig meat imports are expected to increase to 230,000 MT, the same as the official forecast. The United States is the leading exporter of frozen pig meat to Australia. In 2018, U.S. exports of frozen pig meat to Australia are expected to increase to 90,000 MT or around 40 percent of total imports. Most ham, bacon and other processed pork products consumed in Australia are made from imported pig meat, which is heat-treated before being processed.

SEASONAL OUTLOOK

In Australia, variations in seasonal climate conditions (i.e., temperature, rainfall, soil moisture, drought, etc.) have a significant impact on the livestock industry as the beef and dairy cattle herds are predominantly grass-fed and pasture availability limits carrying capacity. Since mid-2016, drought conditions have affected a third of beef cattle farms across Australia and contributed to high cattle turn-off (slaughter and live cattle exports) as farmers faced feed shortages while export markets offered high prices. Conditions generally improved in 2017, but the outlook in 2018 for some regions such as Queensland is for continuing hot and dry conditions.

While the latest Australian Bureau of Meteorology projections warn of 'below average' rainfall and 'above average' temperatures across some cattle producing regions, good conditions in Victoria and NSW could sustain cattle herd recovery in 2018. Nevertheless, low rainfall and higher temperatures in eastern Australia from mid-2017 led to a decline in soil moisture across much of NSW and Queensland, which limited pasture growth.

Chart 1: Chance of exceeding the median rainfall in the three months to May 2018



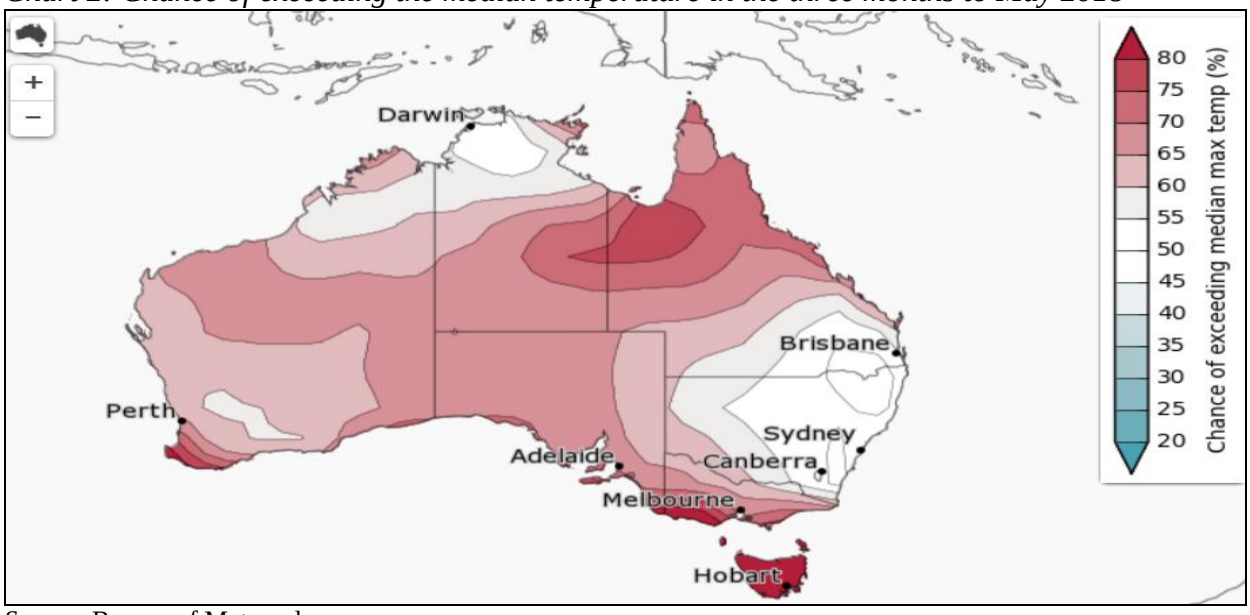
Source: Bureau of Meteorology

Post notes that rainfall in January 2018 was well below average across eastern Australia, while rainfall throughout most of Queensland, north-eastern NSW and western Victoria were severely deficient to below average. Unless there is timely rainfall over the year, poor pasture growth could slow the rebuilding of Australia's cattle herd or even lead to a further decline in numbers. In mid-February 2018, benefical rainfall occurred in Queensland, which could slow cattle slaughter and encourage herd rebuilding. However, Queensland is currently 40 percent below the 5-year average for rainfall for the wet season, which runs from November 2017 to April 2018.

Charts 1 and 2 illustrate potential rainfall and temperatures across Australia's main cattle producing regions. The Bureau of Meteorology forecast a drier than average March to May for large parts of

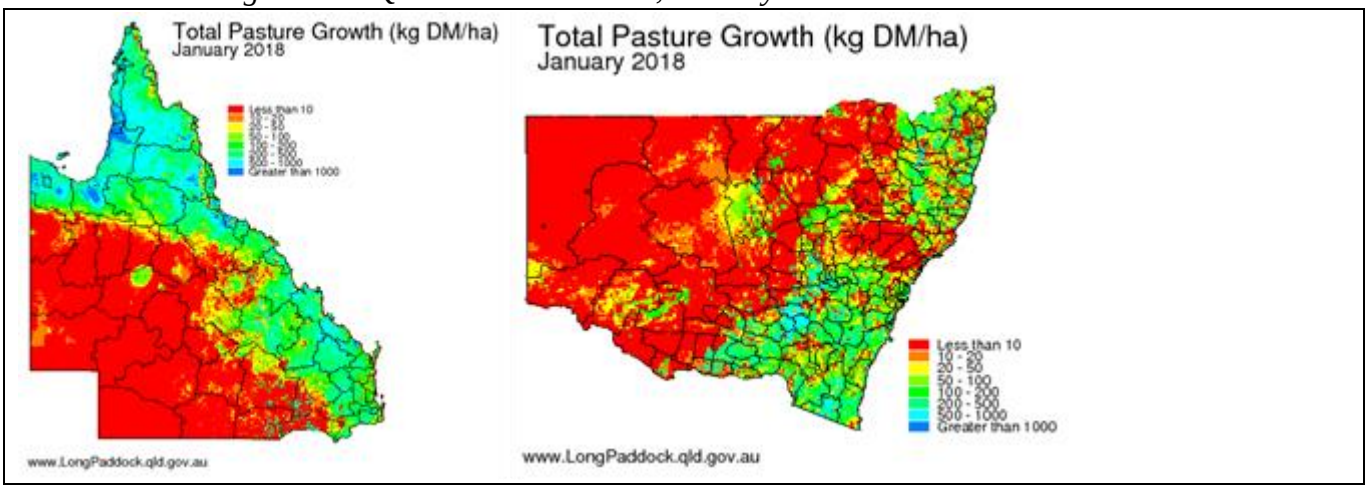
central Australia, including western Queensland, northwest Victoria, and parts of eastern South Australia. Furthermore, temperatures for 2018 are likely to be warmer than average in the northeast and southern parts of Australia. Chart 3 shows pasture growth in NSW and Queensland for January.

Chart 2: Chance of exceeding the median temperature in the three months to May 2018



Source: Bureau of Meteorology

Chart 3: Pasture growth in Queensland and NSW, January 2018



Source: Queensland government

CATTLE

Cattle Numbers

Post forecasts Australia's cattle herd to reach 26.7 million head in 2018, slightly above the official forecast of 26.5 million head. However, unfavorable seasonal weather conditions and poor pasture growth could slow herd rebuilding. Herd expansion is more likely to occur in Victoria and NSW, but the drier outlook for Queensland is already leading to higher slaughter rates. Normal weather conditions are expected in the second half of the year.

In early 2018, cattle prices in Australia decreased as more supplies reached the market, reflecting the drier conditions expected for the remainder of the year. The benchmark Eastern Young Cattle Indicator (EYCI) fell to A$5.40 per kilogram carcass weight, down A$1.09 at the beginning of 2017. Buyer interest from restockers has also weakened as pasture growth in major cattle regions is projected to be uncertain for 2018. Furthermore, sales of younger cattle in Queensland have increased sharply in early 2018. In mid-February, for example, the Roma saleyard in Queensland sold over 22,000 young cattle, the highest since May 2017 and restocker demand fell significantly. Similar results occurred recently in a number of saleyards in NSW and Queensland.

Cattle Slaughter

In 2018, cattle slaughter is forecast at 7.9 million head, slightly below the official forecast of 8.05 million because of uncertain weather conditions. Post expects cow slaughter to slow in 2018 to 3.25 million head (41 percent of total slaughter) as female stock is retained. However, slaughter rates could increase if drier conditions persist throughout the year. Lower live cattle exports over the year are likely to offset the decline in slaughter due to herd rebuilding. Trends in cattle slaughter in recent years are shown in chart 7 below.

Production

Beef and veal production is expected to increase to 2.2 million metric tons (MMT), slightly below the official forecast of 2.25 MMT. This revision reflects an expected lower slaughter rate as well as higher carcass weights. The number of grain-fed cattle in feedlots is expected to remain at current levels due to the uncertainty of available pasture and a fall in feeder cattle prices compared to the prices of other cattle.

Cattle on Feed

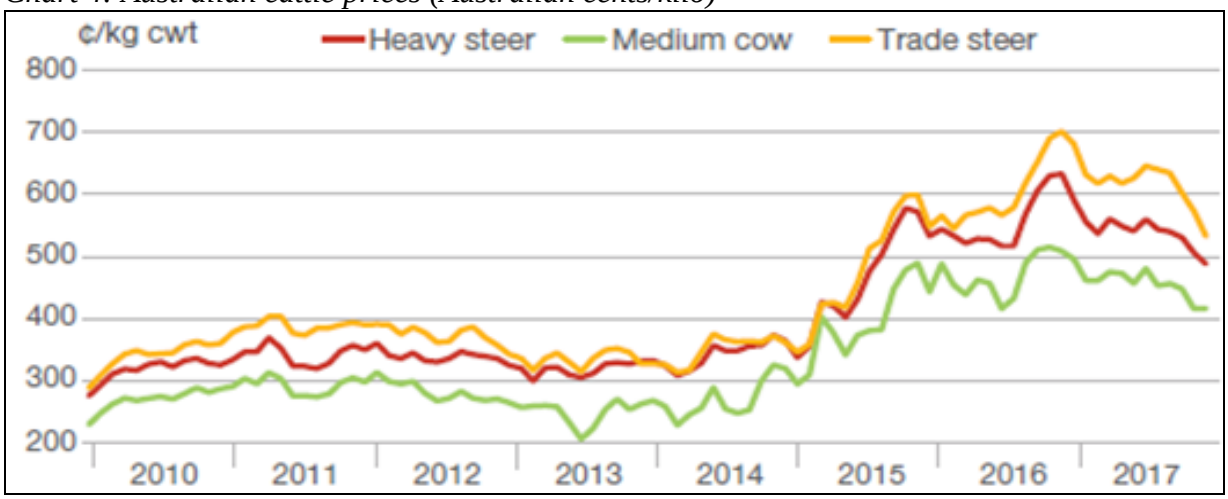
In the nine-month period from December 2016 to September 2017, the number of cattle raised on animal feed rose by 9.5 percent to 1.02 million head in September 2017. This increase is likely to reflect continuing strong livestock and beef prices, as well as the deterioration of pasture in some regions like Queensland.

Table 1: Beef production in Australia by State (excludes veal) ('000 MT)

State	2015	2016	2017
NSW	547	455	468
Victoria	460	355	354
Queensland	1,200	1,023	1,031
South Australia	132	108	114
Western Australia	108	105	103
Other	67	55	60
Total	2,514	2,101	2,130

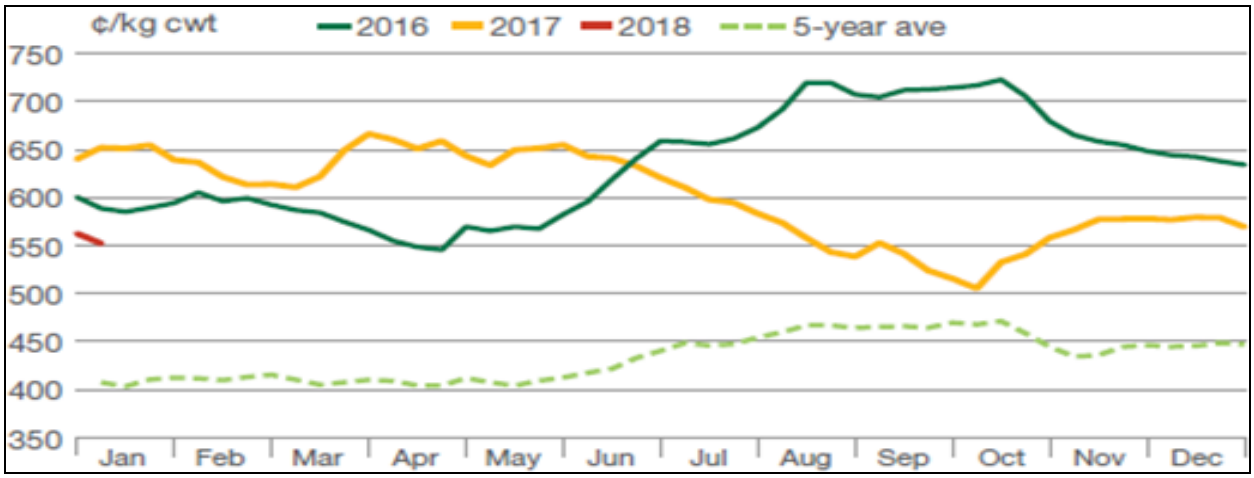
Source: Australian Bureau of Statistics

Chart 4: Australian cattle prices (Australian cents/kilo)



Source: Meat and Livestock Australia and ABARES

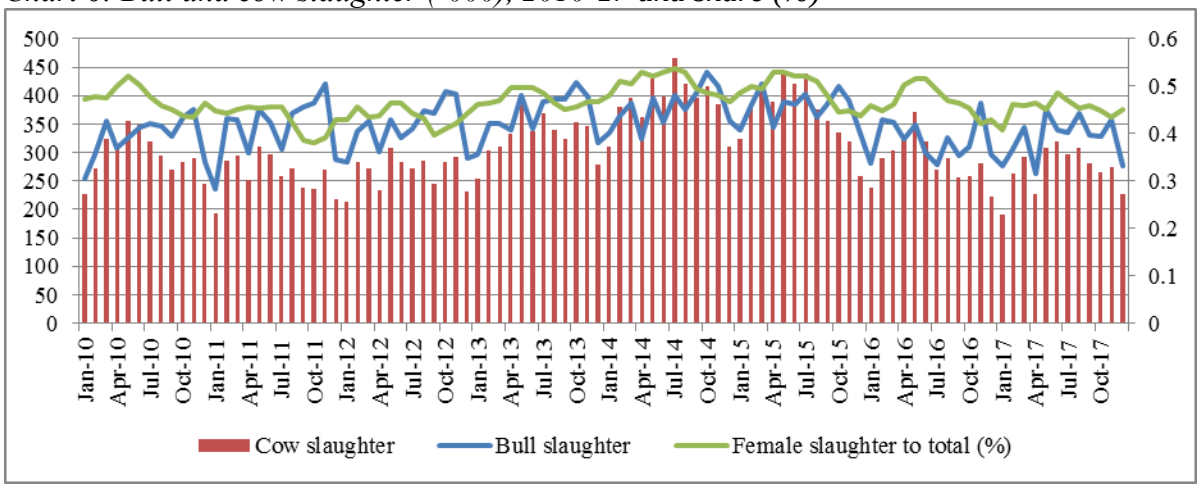
Chart 5: Eastern young cattle indicator (Australian cents/kilo)



Note: The Eastern Young Cattle Indicator (EYCI) is the general benchmark of Australian cattle prices. The indicator is a seven-day rolling average produced daily by MLA's National Livestock Reporting Service (NLRS). The EYCI includes vealer and yearling heifers and steers, grade score C2 or C3, 200kg+ liveweight from saleyards in NSW, QLD and VIC. The results include cattle purchased for slaughter, restocking or lotfeeding and are expressed in cents per kilogram carcass (dressed) weight (c/kg cwt).

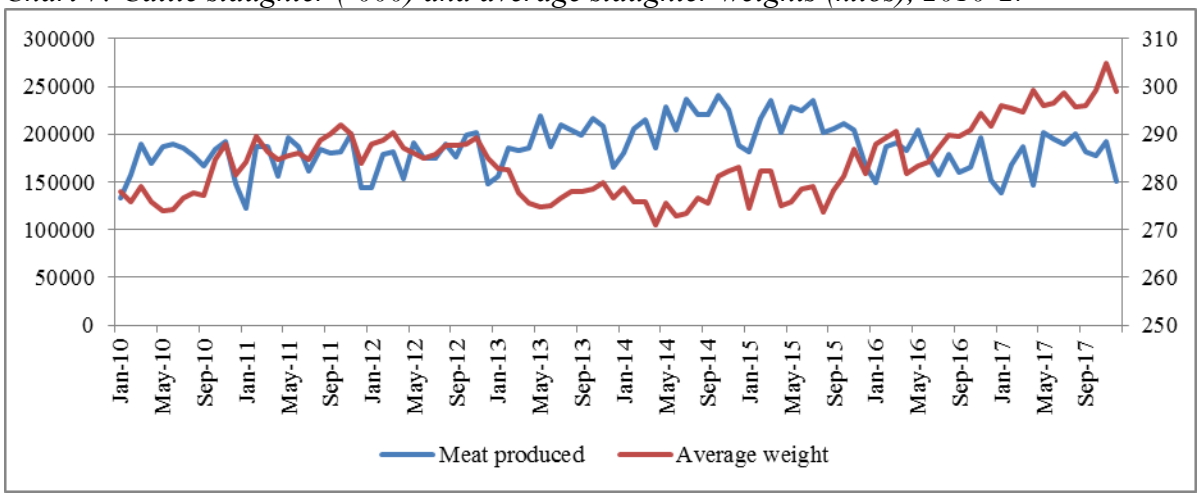
Source: Meat and Livestock Australia and ABARES

Chart 6: Bull and cow slaughter ('000), 2010-17 and share (%)



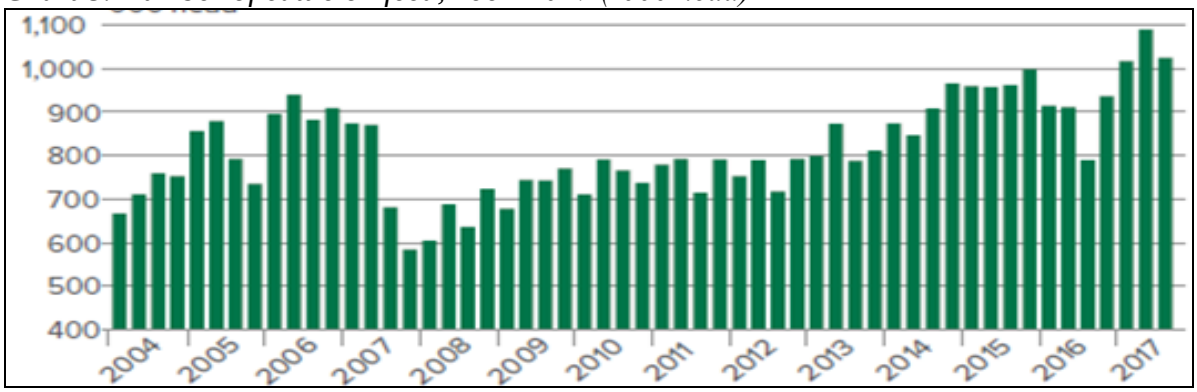
Source: Australian Bureau of Statistics

Chart 7: Cattle slaughter ('000) and average slaughter weights (kilos), 2010-17



Source: Australian Bureau of Statistics

Chart 8: Number of cattle on feed, 2004-2017 ('000 head)

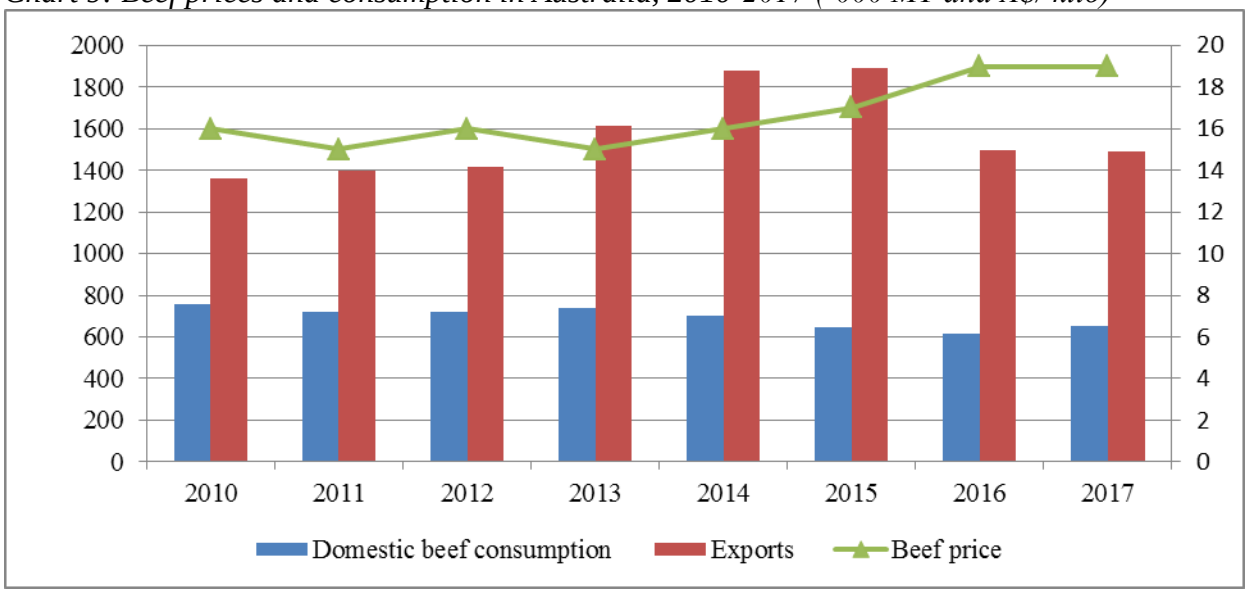


Source: Australian Lot Feeders Association

Consumption

Beef consumption in Australia is forecast to be stable at 689,000 MT, below the official forecast for 2018. Australians are the sixth largest per capita consumers of beef in the world, but beef consumption of around 26 kilograms per person has been affected by comparatively high wholesale and retail prices in recent years. Beef prices have been two and a half times more expensive per kilogram than chicken meat. Furthermore, the gap in retail prices between beef and lamb has also increased, while consumption of pork is rising as a result of 25 percent decline in price. Trends in beef prices and consumption from 2010 to 2017 are shown in chart 9 below.

Chart 9: Beef prices and consumption in Australia, 2010-2017 ('000 MT and A$/ kilo)



Source: Meat and Livestock Corporation and Australian Bureau of Statistics

The retail price for red meat in Australia trended upwards from 2013 before stabilizing in 2017. Surveys suggest price for red meat is the primary factor that affects Australian consumption more than health or animal welfare concerns. Beef remains the leading meat sold by retailers, with around one third of total meat sales. Beef is the third most popular meat used by the food service industry, after chicken and seafood.

Trade

Beef exports will increase slightly to 1.5 MMT in 2018 due to increasing production and higher carcass weights. Beef exports to the United States are likely to fall due to increased foreign competition, domestic herd rebuilding, and a stronger Australian dollar. Live cattle exports are expected to fall to 900,000 head in 2018 due to high domestic cattle prices, stronger Australian dollar, and more stringent import regulations in key international markets.

Japan was Australia's largest export market for beef in 2017, despite increasing competition from the United States. Beef exports to Japan increased by 10.4 percent from 265,440 to 293,100 tons shipped weight (swt), with frozen grainfed and frozen grass-fed beef products expanding and chilled-beef

remaining stable. A key reason for Australia's higher beef export volumes to Japan is the lower tariff provided under the Japan-Australia Free Trade Agreement.

Table 2: Tariff barriers for Australian and U.S. beef exports to Asia, 2018 (%)

	Japan, chilled beef (JAEPA)	Japan, frozen beef (JAEPA)	Korea, chilled and frozen beef (KAFTA)	China, beef (ChAFTA)
MFN base tariff on beef	38.5	38.5	40.0	12.0
Tariff on Australian beef from April 2016	30.5	27.5	32.0	9.6
Tariff on Australian beef in 2018 (a)	29.3	26.9	26.6	7.2
Tariff on U.S. beef (2018)	38.5	38.5	21.3	12.0

Note: (a) Under JAEPA, the tariff reductions occur from April, while under KAFTA and ChAFTA, they occur from January.
Source: Meat and Livestock Australia and Department of Foreign Affairs and Trade, FTA Briefs, 2017.

Import tariffs on Australian chilled beef into Japan will be reduced from the current 29.9% to 29.3% in April 2018 under the Japan-Australia Economic Partnership Agreement (JAEPA) while chilled beef from other suppliers with no-EPA will continue to face a 38.5 percent tariff. Tariffs on frozen Australian beef products will further decline to 27.2 percent versus 38.5% for non-EPA suppliers.

Australian exporters are facing increased competition from the United States in the Japanese beef market. However, Australian companies have a number of advantages under its bilateral trade agreement with Japan. After March 31, 2018, U.S. beef imports will face a higher safeguard tariff of 50 percent while Australian beef exports are exempted under JAEPA.

The United States Market

Beef exports to the United States are likely to decline due to increased import competition, domestic herd rebuilding, and a stronger Australian dollar. In 2017, Australian beef comprised 24 percent of total U.S. beef imports and reached 234,000 tons swt. Manufacturing beef is the primary Australian beef product exported to the United States with a 63 percent share of the import market. The United States is also importing larger volumes of Australian chilled grass-fed beef reaching 58,000 tons swt in 2017, compared to 21,000 tons swt in 2010. Manufacturing beef is used to produce burgers and other processed beef products for the foodservice sector while chilled grass-fed beef is used mainly by full service restaurants and retailers.

The Chinese Beef Market

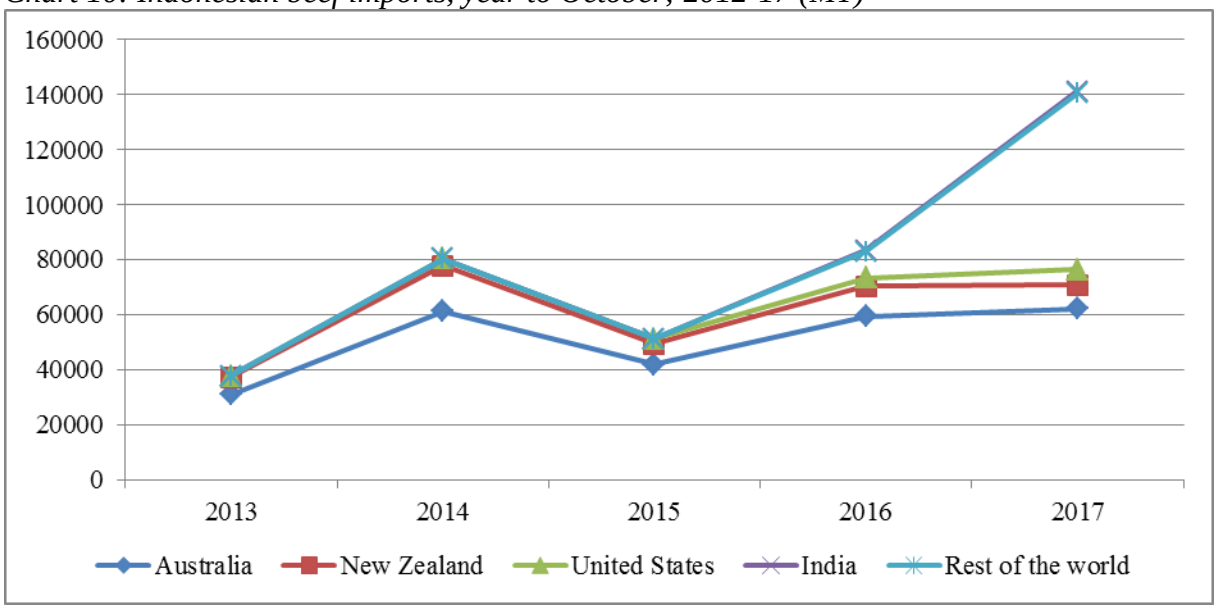
In 2017, approximately 110,000 tons of Australian beef were exported to China, accounting for around 17 percent of total imports. Around 70 percent of the beef imports are reportedly further processed into products such as hot pot rolls, burgers, meatballs, and sausages. The China-Australia Free Trade Agreement (ChAFTA) is reducing tariffs on Australian beef imports, but a number of market access issues are limiting further expansion.

Most of recent market growth in the China market has been led by frozen grass-fed beef exports which accounted for 70 percent of total imports in 2017. Australia started as the sole approved supplier of chilled beef to China in the beginning of until 2017, but experienced strong competition from both the United States and New Zealand by the end of the year. In March 2017, Australia and China signed a Joint Statement on Enhancing Inspection and Quarantine Cooperation, which could result in a larger number of beef processing plants being approved for export.

Exports to Indonesia

Indonesia has emerged as a growing market for beef because of its growing population and rising household incomes. Increasing imports of Indian buffalo meat from August 2016 to 2018 have boosted beef supplies to wet markets, food manufacturers, and foodservice outlets and also lowered market prices, in line with Indonesian government policy. The influx of lower cost beef into Indonesian wet and boxed beef markets has reduced demand for Australian and U.S. beef in this market (Chart 10).

Chart 10: Indonesian beef imports, year to October; 2012-17 (MT)



Source: Global Trade Atlas

Australian beef exports to Indonesia totaled 62,292 tons in 2017, while U.S. beef exports grew strongly over this period to 5,585 tons, up 87 percent compared to the same period a year before.

Table 3: Australian beef exports by country and unit value, 2011-2017 ('000 MT, US$ '000/MT)

	2011	2012	2013	2014	2015	2016	2017
World	1,410	1,407	1,593	1,851	1,854	1,480	1,485
	(4.85)	(4.94)	(4.84)	(5.31)	(5.31)	(5.27)	(5.46)
Japan	493	438	412	405	396	372	410
	(4.90)	(5.04)	(4.74)	(5.19)	(5.08)	(5.16)	(5.29)
United States	238	318	297	554	587	337	325
	(4.58)	(4.68)	(4.67)	(5.52)	(5.55)	(5.37)	(5.57)
South Korea	227	199	217	220	255	274	228
	(4.94)	(4.73)	(4.86)	(5.39)	(5.13)	5.17)	(5.20)
China	20	49	214	179	211	137	164
	(4.27)	(4.44)	(4.53)	(4.61)	(4.97)	(5.08)	(5.49)
Indonesia	60	38	56	81	56	91	83
	(4.09)	(4.56)	(4.67)	(4.39)	(4.56)	(4.03)	(3.81)

Source: Global Trade Atlas (2017).

Table 4: Australian beef exports by type and market, 2016-17 and 5-year average ('000 MT)

Market	Australian beef exports	2016	2017	5-year average
Japan	Chilled grass-fed	32.0	28.5	37.1
	Chilled grain-fed	84.7	88.9	86.1
	Frozen grass-fed	103.3	121.8	123.1
	Frozen grain-fed	44.3	53.1	41.8
	Total	**264.3**	**292.4**	**288.1**
United States	Chilled grass-fed	53.4	58.3	50.8
	Chilled grain-fed	8.0	5.4	7.0
	Frozen grass-fed	178.9	168.8	239.1
	Frozen grain-fed	1.8	1.5	1.6
	Total	**242.0**	**234.1**	**298.5**
South Korea	Chilled grass-fed	10.2	8.7	13.5
	Chilled grain-fed	26.5	25.0	20.7
	Frozen grass-fed	113.9	86.2	100.4
	Frozen grain-fed	29.3	28.6	18.9
	Total	**179.9**	**148.6**	**153.5**
China	Chilled grass-fed	4.7	3.6	5.1
	Chilled grain-fed	1.8	2.5	1.2
	Frozen grass-fed	65.8	80.0	89.2
	Frozen grain-fed	21.7	24.0	15.4
	Total	**94.0**	**110.1**	**110.9**
Indonesia	Chilled grass-fed	4.1	3.0	3.0
	Chilled grain-fed	0.5	0.4	0.4
	Frozen grass-fed	56.4	45.5	40.4
	Frozen grain-fed	0.6	0.5	0.3
	Total	**50.0**	**61.7**	**44.1**

Source: Department of Agriculture and Water Resources

The South Korean Beef Market

Australian beef exports to South Korea declined by 17 percent in 2017 to 150,000 tons swt, marking the first decrease in five years. Increasing U.S. exports and a decline in U.S. beef prices created strong competition for Australia's exporters. In addition, Australian exporters were subject to the Korean safeguard tariff in 2017, resulting in a higher import (from 29 percent to 40 percent).

In January 2018, tariffs on Australian beef products (both chilled and frozen) further declined under the Korea-Australia Free Trade Agreement (KAFTA) to 26.6 percent from 29.3 percent. However, Australian beef products still face a higher tariff rate compared to U.S. beef exporters (see Table 2).

Live Cattle Exports

In 2017, Australian live cattle exports fell 22 percent to 882,000 head due to high domestic prices, stronger Australian dollar, and market access changes in major markets such as Indonesia. South-East Asia remains the key export region for Australia's live cattle. This region imports more than 80 percent of Australia's live cattle with Indonesia (60 percent) and Vietnam (19 percent) being the leading destinations. In 2017, live cattle exports to Indonesia totaled 513,000 cattle, down 17 percent from the previous year. High livestock prices in Australia and changes to the regulatory system in Indonesia contributed to the decline. Australian-sourced cattle in Indonesian feed lots reportedly account for over 10 percent of total beef consumption.

Australia is one of only a few countries to have negotiated access for live feeder and slaughter cattle to China. This trade was facilitated under the Australian feeder and slaughter cattle import health protocol agreed with the Chinese Government on August 2015. In 2016, more than 94,000 breeder cattle were exported from Australia to China. The first shipment of slaughter cattle arrived in China by sea in early 2017. Under the China-Australia Free Trade Agreement (ChAFTA), the pre-ChAFTA 10 percent tariff for live cattle exports to China decreased to 4 percent from in January 2017 and the tariff will be eliminated in January 2019. However, the transportation cost of shipping live cattle to China is relatively high, which may slow the future expansion of this trade.

Production, Supply and Distribution Data Statistics

Animal Numbers, Cattle	2016		2017		2018	
Market Begin Year	**Jan 2016**		**Jan 2017**		**Jan 2018**	
Australia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Total Cattle Beginning Stocks	27,413	27,413	24,971	24,971	25,500	25,511
Dairy Cows Beginning Stocks	1,562	1,562	1,565	1,565	1,600	1,600
Beef Cows Beginning Stocks	11,452	11,452	11,750	11,750	12,250	12,250
Production (Calf Crop)	6,600	6,600	9,050	9,050	10,000	10,000
Total Imports	0	0	0	0	0	0
Total Supply	34,013	34,013	34,021	34,021	35,500	35,511
Total Exports	1,154	1,154	800	882	900	900
Cow Slaughter	3,428	3,428	3,250	3,255	3,350	3,250
Calf Slaughter	542	542	500	413	550	500
Other Slaughter	3,859	3,859	3,915	3,904	4,150	4,150
Total Slaughter	7,829	7,829	7,665	7,572	8,050	7,900
Loss	59	59	56	56	50	50
Ending Inventories	24,971	24,971	25,500	25,511	26,500	26,661
Total Distribution	34,013	34,013	34,021	34,021	35,500	35,511
(1000 HEAD)						

Note: Not official USDA data.

Meat, Beef and Veal	2016		2017		2018	
Market Begin Year	**Jan 2016**		**Jan 2017**		**Jan 2018**	
Australia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Slaughter (Reference)	7,829	7,829	7,665	7,572	8,050	7,900
Beginning Stocks	26	26	0	0	0	0
Production	2,125	2,125	2,125	2,149	2,250	2,200
Total Imports	13	13	14	14	13	13
Total Supply	2,164	2,164	2,139	2,163	2,263	2,213
Total Exports	1,480	1,480	1,450	1,485	1,525	1,524
Human Domestic Consumption	684	684	689	678	738	689
Other Use, Losses	0	0	0	0	0	0
Total Domestic Consumption	684	684	689	678	738	689

Ending Stocks	0	0	0	0	0	0
Total Distribution (1000 HEAD), (1000 MT CWE)	2,164	2,164	2,139	2,163	2,263	2,213

Note: Not official USDA data.

SWINE AND PORK

Overview

The pig and pig meat industry in Australia is the smallest of the livestock industries and is the only one competing with imported product, mainly from the United States, Denmark, Canada, and the Netherlands. In recent years, pig and pig meat production have increased contributing to a fall in prices. The fresh pig meat market is wholly supplied by local producers as biosecurity regulations prevent imports of fresh and chilled pig meat. The processed pig meat market (which includes ham, bacon and smallgoods) is mainly supplied from processed imports of frozen pig meat.

Pig Numbers

Post forecasts Australian pig production to reach 5.3 million in 2018. The industry is dominated by large-scale piggeries. The number of pig farms has fallen from 40,000 in the early 1970s to around 1,400 farms in 2017. The two largest producers are Queensland-based Sunpork and NSW-based Rivalea, which accounted for one third of total production in 2017. Feed related expenses (i.e., wheat, barley, and sorghum) comprise around 60 percent of total pig production costs.

Slaughter

Post forecasts pig slaughter for 2018 at 5.3 million from an estimated sow herd of around 240,000; the highest in over eight years. Post notes that the Australian Bureau of Statistics revised the breeding sow population based on the results of the 2015/16 Agricultural Census. On average, a sow will produce 10–12 piglets per litter, with around two litters annually.

Pigs are primarily classified as porkers or baconers. Porkers are used for fresh meat products like pork chops, while baconers are processed into bacon, ham, sausages, etc. Most pigs are sold at baconer weight (50-105kg dressed weight) for processing into cured products or sold as fresh pork. Porker-weight pigs (30-50kg dressed weight) are used for fresh meat while stores (25-40kg liveweight) and weaners (15-25kg liveweight) are sold for growing out or for special consumer markets. Government regulations prohibit the sale of fresh meat to the public, unless it has been processed at a licensed abattoir.

Table 5: Pig meat production in Australia by State ('000 MT)

State	2015	2016	2017
NSW	60	60	67
Victoria	87	88	91
Queensland	89	87	88
South Australia	89	96	104
Western Australia	47	51	55
Other	2	4	3

Source: Australian Bureau of Statistics

Pig Meat Production

Pig meat production is expected to reach 420,000 MT in 2018. The domestic pork industry has increasingly focused on growing sales of fresh meat, which encounters less competition from imports compared to frozen pig meat, which are subject to biosecurity regulations. The major pig production areas are located in south-eastern Queensland, especially Darling Downs; southern NSW; northern and western Victoria; south-eastern South Australia; and south-western Western Australia.

Traditionally, pigs have been farmed in major grain-growing areas and in some dairy areas. In recent years, the industry has gravitated towards grain-growing areas near abattoirs. Large-scale producers have focused on production efficiency while small-scale producers have targeted niche markets. Farm gate prices peaked at A$3.70 a kilogram in 2016, but fell to A$2.70 in early 2018, which is close to the estimated cost of production for smaller producers.

Costs of production are influenced mostly by feed, labor, and energy-related expenses. For many farms, transport from farm to abattoir is a significant cost, although less so for integrated producers. Larger piggeries use methane gas to generate power for their facilities and sell any surplus to local power companies. Feed expenses account for around 60 percent of the cost of production, but this proportion is also affected by grain price fluctuations, seasonal climate conditions, and global demand. Grain for feed is processed by grinding and mixing the ration with additives and pelleting. In 2017, the price of pig meat fell nearly 25 percent while grain prices increased in Queensland and NSW as a result of poor weather conditions.

New Tracking System for Pigs

Under the National Livestock Identification System (NLIS), there is mandatory reporting of all pig movements around Australia. The tracking system is known as PigPass, which links pigs to the original farm or facility using a Property Identification Code (PIC). The PIC includes a registered pig identification (ear tags or tattoos) and Pig-Pass movement documentation. All pig movements onto farms, saleyards, showgrounds, and abattoirs are documented in a database using a National Vendor Declaration. The PigPass system is designed to allow animals to be quickly identified if there is a disease outbreak or food safety issue. A PigPass National Vendor Declaration is required when transporting pigs off-property and abattoirs and meat processors will not accept animals without a valid PigPass NVD identification.

Biosecurity Regulations

Biosecurity regulations make it difficult to import live pigs into Australia. Thus, only pigs raised in Australia can be sold as fresh meat on the domestic market. Imports of fresh, chilled and bone-in pork are also not permitted under these regulations. However, imported frozen pig meat, which is heat-treated in government accredited facilities in Australia can be used to make ham and bacon products. Imports are typically frozen boneless legs of pork that are cooked and cured and made into ham as well as frozen boneless middles portions, which are cooked and cured into bacon. Biosecurity regulations also prevent the importation of breeding stock and genetics via semen or embryos from foreign suppliers.

Consumption

Pig meat consumption is forecast to increase to 600,000 MT in 2018 due to increased domestic production and wider price differentials between pig meat and beef. In 2017, pig meat consumption increased by 3.4 percent in response to a 25 percent decline in pig meat prices. Pig meat accounts for nearly 10 percent of total fresh meat retail consumption. Fresh pork sold in Australia is domestically produced while most processed pork products (i.e., ham, bacon, sausages, etc.) are made from imported frozen boneless pig meat.

Trade

Post forecasts Australian pig meat exports to increase to 45,000 MT in 2018, the same as the official forecast. Increased domestic production is a main factor for the export growth. Australia typically exports pork to Singapore, Hong Kong, and New Zealand. Exports of pig meat are usually made by processors. Around 50 percent of these exports are made on an intra-company basis; from subsidiary to parent company. The largest integrated Australian pig farm exports around one third of its production, mainly to Singapore and Japan. The industry is targeting exports of premium pig meat to China, but export volumes are not expected to be significant.

Around Seventy percent of the ham and bacon eaten in Australia are produced using imported frozen pig meat. Imports from the United States are typically boneless legs of pork, which are then cooked and cured and processed into ham. Imports from Europe are typically boneless middles, which are cooked and cured in Australia and processed into bacon.

Table 6: Australian pork exports by country, 2011-2017 ('000 MT)

	2011	2012	2013	2014	2015	2016	2017
Singapore	18	16	12	12	14	18	20
New Zealand	9	7	7	7	7	4	7
PNG	4	7	5	5	5	5	7
Philippines	3	1	4	4	3	1	4

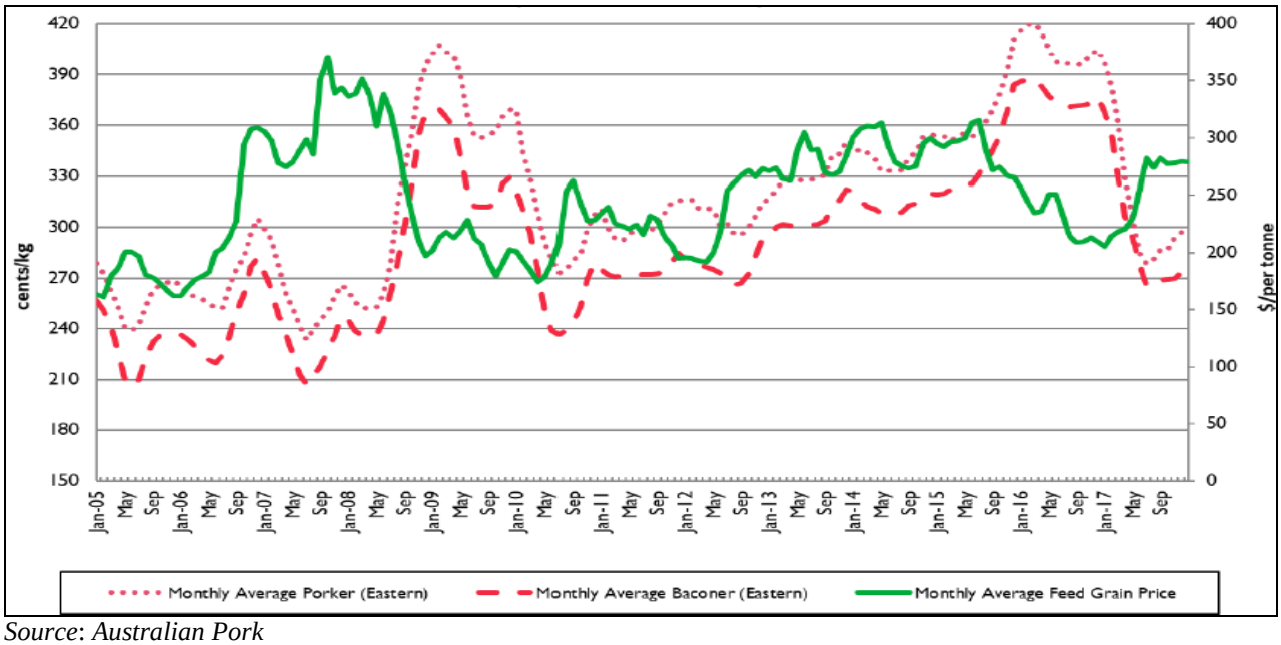
Source: Global Trade Atlas.

Table 7: Australian pork imports by country, 2010-2017 ('000 MT)

	2011	2012	2013	2014	2015	2016	2017
United States	77	81	69	66	72	78	85
Denmark	55	52	56	66	75	73	60
Canada	36	38	39	31	36	23	22
Netherlands	5	22	16	18	21	20	31

Source: Global Trade Atlas.

Chart 11: Average pig meat and feed grain prices, Eastern Australia, 2005-2018



Source: *Australian Pork*

Production, Supply and Distribution Data Statistics

Animal Numbers, Swine	2016		2017		2018	
Market Begin Year	**Jan 2016**		**Jan 2016**		**Jan 2017**	
Australia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Total Beginning Stocks	2,272	2,272	0	2,260	0	2,235
Sow Beginning Stocks	270	270	0	240	0	240
Production (Pig Crop)	5,028	5,028	0	5,250	0	5,300
Total Imports	0	0	0	0	0	0
Total Supply	7,300	7,300	0	7,510	0	7,535
Total Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	5,040	5,040	0	5,275	0	5,300
Total Slaughter	5,040	5,040	0	5,275	0	5,300
Loss	0	0	0	0	0	0
Ending Inventories	2,260	2,260	0	2,235	0	2,235
Total Distribution (1000 HEAD)	7,300	7,300	0	7,510	0	7,535

Note: Not official USDA data.

Meat, Swine	2016		2017		2018	
Market Begin Year	**Jan 2016**		**Jan 2017**		**Jan 2018**	
Australia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Slaughter (Reference)	5,040	5,040	5,100	5,275	5,150	5,300
Beginning Stocks	21	21	22	22	20	18
Production	386	386	400	408	410	420
Total Imports	210	210	220	215	230	230
Total Supply	617	617	642	645	660	668
Total Exports	38	38	42	47	45	45
Human Domestic Consumption	557	557	580	580	600	600
Other Use, Losses	0	0	0	0	0	0
Total Domestic Consumption	557	557	580	580	600	600
Ending Stocks	22	22	20	18	15	23
Total Distribution (1000 HEAD), (1000 MT CWE)	617	617	642	645	660	668

Note: Not official USDA data.