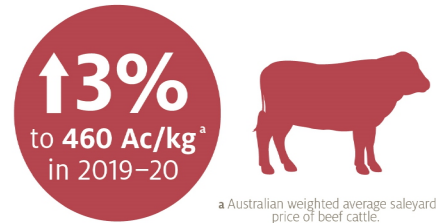


# Beef and veal

Tim Whitnall



## Beef and veal

Australian cattle prices to rise due to increased demand for frozen beef exports and a reduced supply of cows in saleyards.

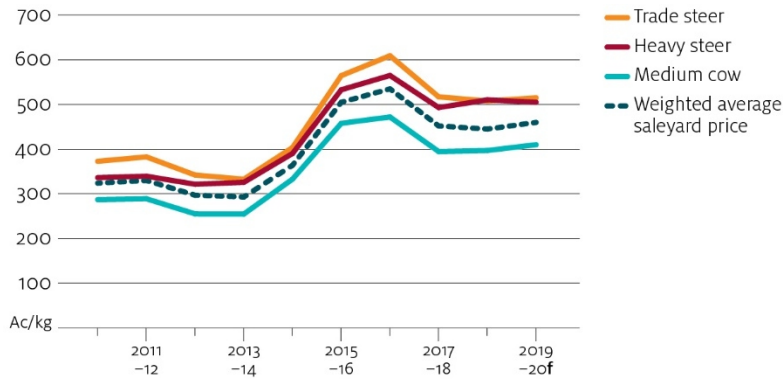
### Saleyard prices to rise marginally in 2019-20

The weighted average saleyard price of cattle is forecast to rise by 3% to 460 cents per kilogram in 2019-20. This reflects increased demand for frozen beef exports and a reduced supply of cows in saleyards.

ABARES uses a weighted average saleyard price as its cattle indicator price. This average includes saleyard prices for heavy steers, trade steers and medium cows purchased by processors and weighted by slaughter volume in Australian Bureau of Statistics data.

In 2018-19 the weighted average saleyard price was pulled down closer to the medium cow price due to a near record proportion of female cattle in total slaughter numbers. In 2019-20 this trend is expected to reverse because female slaughter is forecast to fall by more than male slaughter. Assuming a return to average seasonal conditions, producers are expected to hold back breeding stock to rebuild herds.

### Average saleyard prices, 2010-11 to 2019-20<sup>f</sup>



<sup>f</sup> ABARES forecast.

Sources: ABARES; Australian Bureau of Statistics; Meat and Livestock Australia

Prices for finished steers are expected to remain relatively unchanged in 2019-20. Increased competition from the United States in chilled beef export markets is expected to be largely offset by increased competitiveness from a [lower Australian dollar](#). Prices for cows are expected to rise slightly as producers reduce supply at saleyards and Chinese demand for frozen beef exports rises. These factors are expected to more than offset lower demand for manufacturing beef from the United States.

### Slaughter, production and exports to fall in 2019-20

In 2018-19 drought conditions across many beef cattle producing regions of Australia led to elevated levels of cattle turnoff. ABARES estimates of 2018-19 slaughter and production have been revised up from [Agricultural commodities: March quarter](#) due to higher than expected slaughter since the beginning of the 2019 calendar year. In the 3 months to March 2019, the number of cattle slaughtered was the

fourth highest level in 30 years despite the opening herd being among the lowest over that period.

In 2019–20 slaughter is forecast to fall markedly, reflecting a smaller opening herd and producer intentions to rebuild herds. Production is forecast to fall as a result, but the impact is expected to be partially offset by higher slaughter weights. Pasture growth is expected to improve, assuming a return to average seasonal conditions in 2019–20. The number of cattle on feed is also expected to remain high, reflecting [falling feed costs](#) and high export unit values for beef resulting from strong global demand and an assumed lower Australian dollar.

The value of Australian beef exports is forecast to fall due to lower production. This will reduce the volume available for export. Australia's fresh beef exports to Japan and the United States are expected to account for the largest fall in export volume. Increased production in the United States is expected to reduce US demand for beef imports and lead to increased competition in Japan. Exports of frozen beef to China are expected to rise due to [rising incomes](#) and lower domestic pork production following the outbreak of African swine fever.

### Northern Queensland restocking has commenced

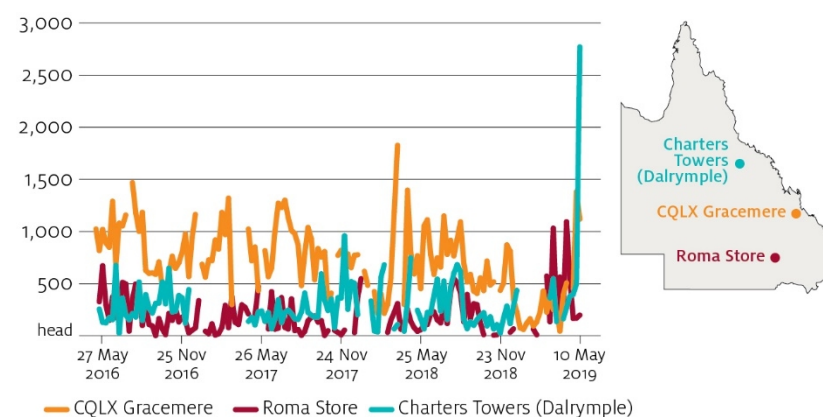
Based on industry estimates, ABARES has assumed that producers lost 600,000 head of cattle as a result of severe flood events in northern Queensland in late January and early February 2019.

Recent saleyard data suggests demand for young cattle for restocking is high in northern Queensland. In the week ending 10 May 2019, purchases of cattle under 12 months old at Charters Towers

saleyard—the closest to the flood-affected regions—were around 10 times the weekly average. Other large saleyards in Queensland, including Central Queensland Livestock Exchange at Gracemere and Roma Store, also had higher than average purchases of young cattle in the months following the floods.

Saleyard purchases represent only a portion of total cattle sales in Australia because most transactions occur privately between seller and purchaser. However, data from saleyards indicate it is likely that substantial restocking is underway in flood-affected areas. Demand for young cattle is expected to remain high due to the \$3.3 billion committed by the North Queensland Livestock Industry Recovery Agency for assistance measures, such as restocking grants, freight subsidies for restocking and low interest loans.

### Weekly restocker saleyard purchases, young cattle, 13 May 2016 to 10 May 2019



**CQLX** Central Queensland Livestock Exchange.

Note: Includes calves, vealer steers and vealer heifers.

Source: Meat and Livestock Australia

## Opportunities and challenges

### US—Japan trade negotiations

In April 2019 Japan and the United States began negotiating a trade agreement. Tariff reductions on agricultural exports such as beef to Japan are expected to be a priority for the United States. This is a risk to the competitiveness of Australia's beef exports because Australia currently has significant tariff advantages through both the Japan–Australia Economic Partnership Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11).

In February 2019 Japan granted the European Union similar beef import tariff reductions to those of the TPP-11 in the EU–Japan Economic Partnership Agreement. If Japan grants similar rates to the United States, this would be expected to displace some Australian chilled beef exports. It would also put downward pressure on finished cattle prices in Australia because Japan is Australia's largest beef export market.

### Impact of African swine fever remains uncertain

Since the first official report in August 2018, African swine fever has spread to every province in China. This is expected to have a significant impact on global protein markets because China is estimated to hold over half of the global pig herd. Production losses in China are estimated by industry at between 10% and 35% and herd losses at between 20% and 30%.

Global pork markets were largely unaffected until 2019, when China rapidly increased imports of pork and other proteins. In the 3 months to March 2019, EU exports of frozen pork to China rose by 32% year-on-year and US exports of all pork cuts to China exceeded their total 2018 volume. Australian beef exports have also benefited from

increased demand. In the 3 months to March 2019, Australian exports of beef to China rose by 76% year-on-year. Relatively lower-priced frozen cuts of beef account for most of this rise.

The extent to which Chinese demand for imported pork rises will depend on the total loss of domestic pork supply, the ability of China's poultry, beef and seafood industries to respond promptly to increased demand, and Chinese consumer willingness to substitute alternative proteins. This therefore represents a risk to the global demand forecast and to prices received by producers supplying frozen beef cuts for export.

### Herd numbers to fall further if dry conditions continue

ABARES forecasts assume a return to average seasonal conditions in 2019–20. If realised, this will facilitate herd rebuilding and lead to lower female slaughter. However, if dry conditions continue, above average levels of female slaughter are expected to continue. Global demand growth for lower-priced frozen beef is forecast to support prices for cows. This would give producers an incentive to maintain a high rate of slaughter and await the return of rain before trading or agisting cattle.

If seasonal conditions do not improve, herd rebuilding will be delayed. This would increase the reliance of producers on purchasing cattle rather than breeding and result in sharper increases in prices of young cattle when rain returns.



**Australian Government**  
**Department of Agriculture**  
**ABARES**

## Outlook for beef and veal

Category	unit	2017–18	2018–19s	2019-20f	% change
Cattle numbers <b>ab</b>	million	26.4	25.0	24.9	– 0.3
beef cattle <b>a</b>	million	23.8	22.5	22.4	– 0.2
Slaughterings	'000	7,913	8,645	7,300	– 15.6
Production	kt (cw)	2,238	2,343	2,052	– 12.4
<b>Exports</b>					
Japan	kt (sw)	309	310	260	– 16.1
United States	kt (sw)	235	240	190	– 20.8
China	kt (sw)	140	210	180	– 14.3
Korea, Rep. of	kt (sw)	169	180	145	– 19.4
World	kt (sw)	1,122	1,200	995	– 17.1
value	A\$m	7,963	9,084	7,705	– 15.2
Live feeder/slaughter cattle exports <b>c</b>	'000	885	1,050	875	– 16.7
value	A\$m	1,101	1,260	1,091	– 13.4
<b>Prices</b>					
Saleyard cattle	Ac/kg (cw)	452	445	460	3.4
United States import <b>d</b>	USc/kg	452	420	420	0
Japan import <b>e</b>	USc/kg	635	610	575	– 5.7

**a** At 30 June. **b** Includes dairy cattle. **c** Includes buffalo. **d** Cow 90CL US cif price. **e** Chilled grassfed fullset Japan cif price. **f** ABARES forecast. **s** ABARES estimate

Sources: ABARES; Australian Bureau of Statistics; Meat & Livestock Australia