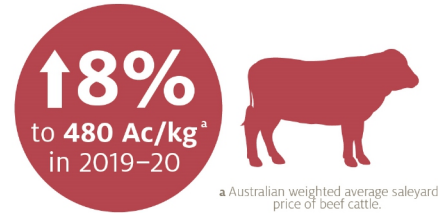


# Beef and veal

Tim Whitnall



## Beef and veal

Australian cattle prices to rise due to higher global demand for beef and reduced supply of cattle in saleyards.

## Saleyard prices to rise, slaughter to fall

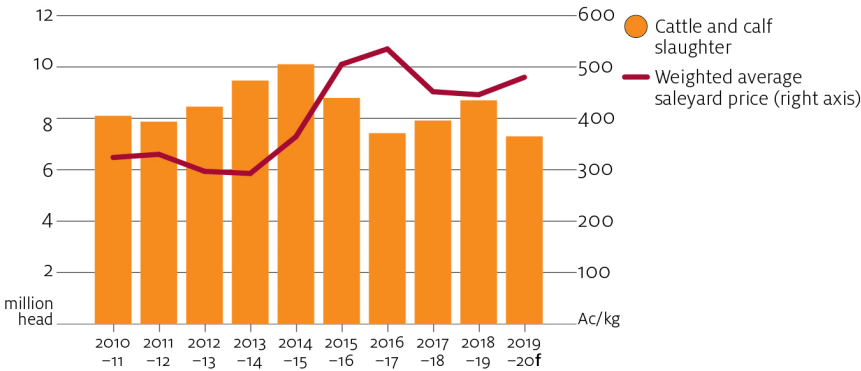
The weighted average saleyard price for cattle is forecast to rise by 8% in 2019–20, reflecting strong demand for beef in global markets and lower supply of cattle in saleyards. This is an upward revision of the [Agricultural commodities: June quarter](#) forecast. It reflects an expected rise in Chinese demand for beef following the outbreak of African swine fever (ASF).

Assuming average seasonal conditions over the northern wet season, slaughter rates are expected to fall because producers are likely to reduce turn-off and commence herd rebuilding. Forecast lower slaughter in 2019–20 will result in lower production and exports of beef. Australian exports of beef to Japan, Korea and the United States are all forecast to fall. Australian beef in these markets faces increasing competition from higher US beef production and resulting exports. Australian exports to China are forecast to rise due to increasing demand.

In 2019–20 the percentage of adult slaughter originating from feedlots is forecast to continue to grow. Feed grain prices are forecast to fall

with an [improved winter crop](#) and an [assumed lower Australian dollar](#) improving the competitiveness of Australian beef exports.

## Slaughter and saleyard prices, Australia, 2010–11 to 2019–20



<sup>f</sup> ABARES forecast.

Sources: ABARES; Australian Bureau of Statistics

## Global demand to rise due to African swine fever

Global demand for beef imports is expected to increase in 2019–20 due to [outbreaks of ASF in China and South-East Asia](#). Recent industry reports estimate that China's pig herd may decline by up to 50% by the end of 2019. This will substantially reduce the supply of meat in China, and imports of all proteins are expected to increase as a result. In the 6 months to June 2019, China became Australia's second-largest market for beef exports in value and volume terms, overtaking traditional markets such as the Republic of Korea and the United States.

## Opportunities and challenges

### High female slaughter to slow herd rebuilding

Dry conditions over the 2018–19 northern wet season caused producers to increase turn-off of female cattle. Between March and June 2019, the proportion of female slaughter was 58%—the highest on record. The high rate of female turn-off suggests that the breeding herd is likely to be reduced. This will slow the rate of herd rebuilding and limit beef production in coming years.

### Seasonal conditions

The Bureau of Meteorology's (BOM) [northern rainfall outlook](#) indicates that the onset of northern rainfall is likely to occur later than usual—especially in parts of key producing regions such as the Barkly Tableland, Fitzroy Basin and North Queensland Dry Tropics. The BOM's 3 month rainfall outlook also indicates that drier than average conditions are likely across eastern Australia, the Northern Territory and southern Western Australia from October to December.

Poor or later than expected rainfall will delay pasture growth and may lead to a continuation of increased turn-off of cattle and delay herd rebuilding. This would increase the reliance of producers on purchasing cattle rather than breeding, and result in sharper increases in prices of young cattle when pasture growth improves.

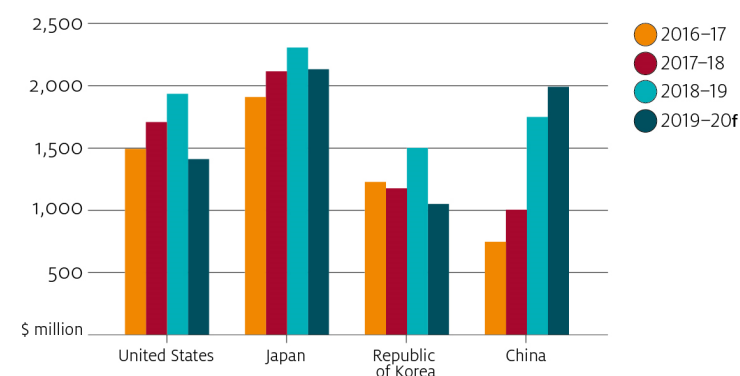
### Higher reliance on an uncertain Chinese market

The share of Australian beef exports to China is expected to increase markedly in 2019–20 as a result of ASF-induced demand. Higher exposure to the Chinese market increases the risk of disruption. In the past, China has opened market access in an effort to keep prices low and then closed access when domestic production is restored. If the ASF situation worsens, China may grant market access to other low-

cost producers, such as India, to control meat price inflation. This will increase competition in the Chinese market and put downward pressure on prices.

Another risk is the loss of market share in traditional markets. ASF presents an opportunity for exporters to take advantage of growing demand. However, the outbreak is likely to be a temporary shock that will eventually be contained and result in demand growth returning to past levels. When this happens, Australia is likely to have ceded market share in traditional markets—including Japan and Korea—to competitors such as the United States.

### Beef export value, 4 top markets, Australia, 2016–17 to 2019–20



f ABARES forecast.

Sources: ABARES; Australian Bureau of Statistics

### US–Japan trade agreement nearing completion

The United States and Japan agreed in principle to a trade agreement in August 2019 and are expected to sign the agreement in September. The details of the deal are not yet known, but Japan is expected to reduce tariff rates on imports of US beef to a similar level as those

Australia accesses under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) agreement.

This is a downside risk to beef export forecasts because Australia currently has a significant tariff advantage over the United States in Japan. In 2019 Australian beef exports to Japan face a tariff rate of 26.6% under the TPP-11 compared with 38.5% for US exports without a trade deal. The deal would put downward pressure on finished cattle prices in Australia because Japan is Australia's largest beef export market.



**Australian Government**  
**Department of Agriculture**  
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## Outlook for beef and veal

Category	unit	2017–18	2018–19 s	2019–20 f	% change
<b>Australia</b>					
Cattle ab	million	26.4	24.9	24.7	-0.8
beef cattle a	million	23.8	22.4	22.2	-0.8
Slaughterings	'000	7,913	8,703	7,300	-16.1
Production	kt (cw)	2,238	2,352	2,052	-12.7
<b>Exports</b>					
Japan	kt (sw)	309	303	270	- 10.9
United States	kt (sw)	235	241	170	- 29.5
China	kt (sw)	140	228	240	5.1
Korea, Rep. of	kt (sw)	169	189	125	- 33.8
World	kt (sw)	1,122	1,223	995	- 18.7
value	A\$m	7,963	9,485	8,099	- 14.6
Live feeder/slaughter cattle exports c	'000	885	1,128	875	- 22.4
value	A\$m	1,101	1,371	1,122	- 18.1
<b>Prices</b>					
Saleyard cattle	Ac/kg (cw)	452	446	480	7.6
United States import d	USc/kg	452	439	465	5.9
Japan import e	USc/kg	635	640	645	0.9