

## **media release**

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### **MLA beef and cattle projections update**

The bright set of opportunities that lifted some Australian cattle and beef markets to all-time highs throughout early 2011 have levelled out, but generally good seasonal conditions should underpin confidence for rebuilding into next year.

Releasing the 2011 mid-year beef and cattle industry projections today, MLA chief Economist, Tim McRae said a number of factors that had buoyed beef markets in early 2011 had been overshadowed by a further round of global economic concerns.

“A sustained very high \$A, a contraction in global beef prices, weak returns from the Japan market and increased competition from US beef in North Asia have all contributed to a more subdued outlook for the remainder of 2011. Added to these issues is the uncertainty that will continue to plague Australia’s live cattle trade,” said Mr McRae.

The strength of the Japan market remains a critical influence on the Australian cattle industry. “After showing potential in early 2011, the Japan beef market has been impacted by a series of unprecedented events, which will continue to frame the state of consumer demand over the short term.

“The recent issues facing the Japanese market, Australia’s largest beef export market, have clearly emphasised the importance of the market to the Australian beef industry” said Mr McRae.

The forecast for distribution of beef exports for the rest of the year also highlights the importance of Australia’s export beef markets outside the top three markets of Japan, Korea and the US. During 2010-11, the highest proportion of total exports in over 25 years – 286,700 tonnes swt or 31% - was shipped to the other markets. Forecasts for 2011 include Russia to receive 75,000 tonnes of Australian beef, up 32% year-on-year and South-East Asia with 90,000 tonnes.

The disruption to Australia’s live cattle trade to Indonesia since June has made it very difficult to confidently forecast export numbers for the Australian live cattle trade. However, one indisputable factor is that the four week suspension and the only partial reopening of the Indonesian live cattle trade will have long term financial impacts on producers and businesses that rely upon it.

The upwards revision for domestic beef consumption has been due to estimated higher beef production, weaker export demand (both due to prices and a high A\$) and, most importantly, comparatively strong Australian consumer demand – facilitated by the retail price cutting for beef by major supermarkets.

For the financial year to June 2011, the Australian cattle herd is estimated to have recovered 3.6%, to 27.5 million head, much of this growth underpinned by the better season conditions since the start of 2010.

“The fundamentals that underpin a bright outlook for Australia’s export markets over the medium to long term have not been erased, but they have again been obscured by global concerns, a high A\$ and tentative trading. Global beef cattle herds continue to liquidate, especially in major exporting nations like the US, Argentina and New Zealand, while the amount of beef exiting Brazil has been curtailed by a robust domestic market,” said Mr McRae.

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