



Industry overview



Issue highlights

- **Dry August evaporated young cattle demand and pushed EYCI lower**
- **Australian beef exports to Korea pick up ahead of Chuseok**
- **Lamb exports to US sustained, as NZ declines**

Dry August hits young cattle market

August was a tough month for the young cattle market across eastern Australia, as buyer demand weakened and numbers through the yards increased. These factors contributed to the benchmark Eastern Young Cattle Indicator (EYCI) weakening during August. Record temperatures across southern Queensland and northern NSW during August, combined with very little rain, created concern for the season ahead, with buyer demand for vealers back significantly.

According to MLA's National Livestock Reporting Service, young cattle offerings during August at NSW and Queensland reported saleyards increased 17% and 27%, respectively, on the same month last year, with indicative national vealer numbers increasing 21%. National yearling steer and heifer numbers through reported saleyards in August were virtually unchanged year-on-year, despite numbers in NSW increasing 17% and 18%, respectively.

While offerings were up relatively consistently year-on-year across all the four young cattle categories in NSW, in Queensland vealer categories dominated the larger offerings, as yearling steer numbers declined. In the south, both yearling and vealer offerings were back in Victoria, as some rain through the south west of the state gave producers confidence to hold onto young cattle. Yearling steer numbers through MLA's NLRS reported saleyards in Victoria were back 14% year-on-year, while yearling heifer offerings declined 13%.

Given the large influence of the increased young cattle supplies and weaker demand from NSW and Queensland markets, compared to the tighter numbers in Victoria, the EYCI indicator fell 9% over the four week period from the end of July. After finishing July at a 2009 high of 345¢/kg cwt, the EYCI quickly slipped back to 315.5¢/kg cwt by the final week of August.

Some much needed rain in early September across northern NSW and southern Queensland assisted the EYCI to 326¢/kg cwt early in the second week of September. Given the tenuous hold the season has on many regions in eastern Australia, cattle prices are likely to again be largely influenced by rain, or the lack of, throughout early spring, particularly with the demand situation in the export arena remaining sluggish and the A\$ appreciating above 86US¢ in early September.

Author: Tim McRae and Henry Holcombe

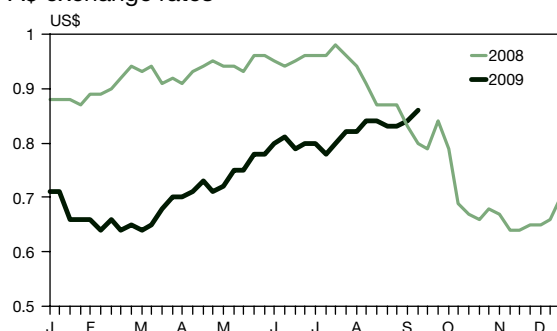
A\$ continues to push higher

With the Australian economy managing to defy the negative global economic sentiment over the past year and record positive economic growth, many economic commentators are starting to point to the likelihood of an interest rate increase – a scenario that will

likely put more upward pressure on the A\$. Given the current weak beef export arena, a higher A\$ will add to the difficulties presently being faced by Australian beef exporters, especially in relation to export prices in A\$ terms.

After a rollercoaster ride since mid-July last year, the A\$ has been rising steadily over the past few months, with the first week of September seeing it go above the corresponding week last year. Also assisting the recent rise in the A\$ has been the weak US\$. After peaking at 98.5US¢ in mid-July 2008, the A\$ rapidly declined to 61.2US¢ by late October, then traded primarily below 70US¢ through to early April 2009.

Figure 1
A\$ exchange rates



Source: Reserve Bank of Australia

Since May, the A\$ has increased steadily, reaching 86US¢ in the first week of September – an 18% increase since the start of May (72.7US¢). The A\$ appreciation has been consistent across most trading currencies over the past four months, including 10% against the Japanese yen, 8% against the euro, 14% versus the Korean won and 11% against the Indonesian rupiah.

With the continued sluggish export conditions in Australia's main beef markets, namely the US, Japan and Korea, the stronger A\$ will only reduce the price competitiveness of Australian product during a period when consumers are already very price conscious. Reflecting the weak consumer demand during 2009 in Japan, as its economy struggles with recession and record unemployment, beef export prices for Australian product have been down year-on-year, with very little benefit of the lower A\$ earlier in the year passed back to Australian exporters.

Author: Tim McRae

New government, same concerns in Japan

While the landslide election of the Democratic Party of Japan (DPJ) has attracted much attention from overseas public and media, Japanese consumers appear less hopeful about immediate changes or improvement of their every day life. With recession conditions still biting and the national unemployment rate hitting the highest level on record, the prospects for changes to key trade issues, notably US beef import protocols remains very unlikely in the short term.

DPJ came to power last month, beating the Liberal Democratic Party that had ruled the country for more than half a century. However, the initial enthusiasm for a new era in Japan seems to have already faded, and some experts are in doubt about Prime

Minister in waiting Yukio Hatoyama's political ability to quickly deal with the stagnant economy (nominal GDP down 0.7% from previous quarter), rising unemployment rate (5.7% as of July) and declining wages (14 months consecutive year-on-year decrease since June 2008).

Pressed by urgent administrative and domestic issues, the DPJ has not made formal comments on its foreign trade policies since taking power last week. It is assumed that key trade discussions such as the US beef import protocol review will be placed on the backburner until DPJ stabilizes its political environment.

The outbreak of BSE in the US in late 2003 resulted in Japan (along with many other countries) banning

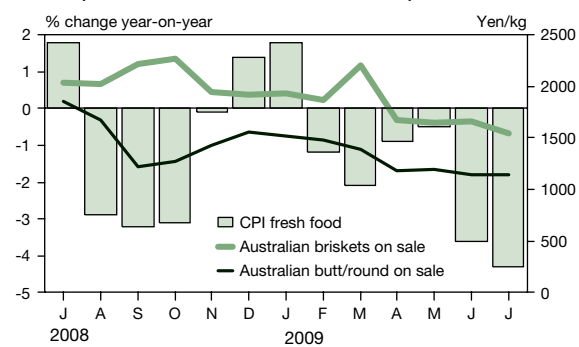
imports of US beef. The import resumption in 2006 came with the restriction agreed by both the US and Japanese governments that the beef must be sourced from cattle under 21 months of age. Despite the increasing pressure from the US over the last 3 years to revise the protocol, the bi-lateral agreement is still in place, with US beef imports in 2009 accounting for just 23% of the 2003 level.

Meanwhile, Australian beef exports to Japan in August maintained last year's level at 29,645 tonnes swt (above 1% on 2008), but 3% below the five-year average, constrained by the market's subdued private spending, and risk-averse buying by Japanese importers. Sales of Australian beef at Japanese supermarkets have been reported as positive, however, consumer demand is primarily fixed on lower value cuts, with retailers increasingly focused on price-cut competition in order to attract budget conscious shoppers.

Author: Miho Kondo

Figure 2

Retail prices of Australian beef in Japan



Source: MIAC, ALIC

Stronger Australian beef exports ahead of Chuseok

Australian beef and veal exports to Korea have been rejuvenated over the past three months, with shipments for August up 60% year-on-year, to 11,485 tonnes swt, as the high beef consumption period of Chuseok approaches.

Chuseok is the annual Korean festival to celebrate a good harvest. The festival is held on the fifteenth day of the eighth month of the lunar calendar, which falls on 3 October in 2009. The three day public holiday includes family visits, various traditional customs and folk games.

During Chuseok, gift set giving is a tradition among relatives, friends and business partners. Beef gift sets (containing mostly short ribs) are a popular item, which are available at retail, food service outlets and online. Although corporate and consumer spending tightened over the past year due the economic downturn, some Korean retailers have indicated a year-on-year rise in corporate beef set orders, with solid consumer demand expected to continue in September (JoongAng Daily).

In 2008, the most popular beef gift sets were worth around KRW150,000 (A\$142) to KRW200,000 (A\$189), with Hyundai Department Stores reporting an increase in corporate orders priced between KRW200,000 (A\$142) to KRW300,000 (A\$284) (JoongAng Daily). The increased favour towards the higher priced beef sets in 2009 comes alongside higher domestic Korean beef prices, with Hanwoo prices reaching a 28-month high in September (Korea Times).

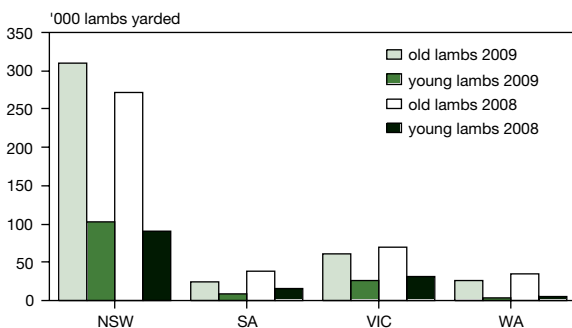
Although total Australian beef exports for the first eight months of 2009 were back 12% on the same period last year, exports for the past three months (June, July and August) increased 25% year-on-year (DAFF).

Author: Author: Tim Van Es

Young lamb numbers decline

August continued to see a larger number of older lamb offered through MLA's NLRS reported saleyards, as young lamb supplies tightened. With the deteriorating seasonal conditions throughout August, producers were reportedly keen to offload the remaining old lambs before they cut their teeth and while prices remained favourable. Old lamb offerings lifted 2% year-on-year, while young lamb supplies tightened 4%.

Figure 3
Lamb yardings - August



Source: NLRS

The generally mild winter conditions across most key lamb producing regions in 2009 enabled many producers to grow young lambs out to heavier weights. The majority of young lambs offered have been 20-22kg cwt; while for the same period last year young medium weight trade (18.1-20kg cwt) lambs dominated the new season lamb offering.

NSW old lamb numbers lifted 14% during August, with many being offloaded in good condition after being finished on crops. With the mild winter assisting lamb growth rates, and the deteriorating season, young lamb numbers increased 13% year-on-year. The strong

demand for fresh young lambs, combined with the good prices on offer also encouraged producers to offload.

Victorian young lamb numbers declined 27% on last year, while old lamb availability dropped 11%, as average to above average rain across south western Victoria assisted the decline in numbers.

Lamb availability in SA also declined, with 37% fewer old lambs and 41% less young lambs offered. Reportedly, average lambing rates and lower stocking capacities, particularly in the north of the state, contributed to the tighter numbers. However, like south western Victoria, average rain during August and reasonable to good seasonal conditions in the South East has encouraged some producers to hold onto lambs.

Lamb supplies during August in WA were tight, as old and young lamb numbers declined 19% and 24%, respectively, on the corresponding period last year. Young lamb supplies are expected to remain tight throughout September, with many still lacking finish and not anticipated to enter the market until closer to October. With the improved seasonal conditions, many producers have been concentrating on cropping enterprises rather than lambs.

Author: Sophie Kennedy

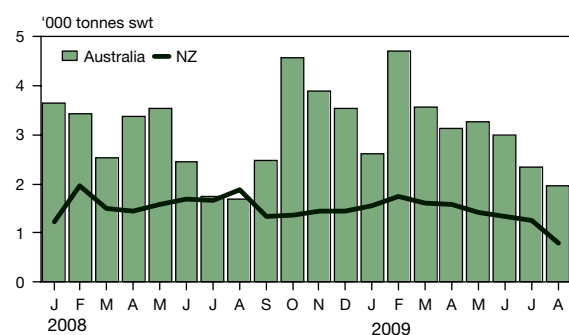
Australian lamb exports sustained to US

During the first eight months of 2009 Australia exported 104,675 tonnes swt of lamb – up 10% on the same period in 2008. The increased volume so far in 2009 has been largely attributed to a lower A\$, increased lamb production, combined with strong export demand amidst tighter global sheepmeat supplies.

Reflecting the overall rise in shipments, Australian exports of lamb to the US during the calendar year to August were up 10% from January to August, reaching 24,539 tonnes swt. Traditionally a slower period for lamb exports, shipments to the US in August jumped 15% year-on-year, to 1,953 tonnes.

In contrast to Australia, New Zealand lamb exports during the first eight months of 2009 declined 9%, to 225,203 tonnes swt, with shipments to the US back 13% year-on-year, to 11,263 tonnes swt. Contributing to the lower NZ shipments was the significant decline in the 2008-09 spring lamb crop, which was estimated to be back 15% year-on-year, at 27.3million head.

Figure 4
Monthly lamb exports to the US



The increase in Australian exports of lamb to the US, compared to NZ, can be partly attributed to Australia's focus at the retail level. With the US recession and a significant fall in consumer spending, demand at the retail sector has been reportedly steady, complemented by the trend of consumers 'trading down' meat preferences or eating at home. In contrast, demand across the US food service sector, which is favoured by NZ, has suffered from significantly lower restaurant traffic.

NZ exports of lamb are forecast to fall in the coming year, with a higher NZ\$ and general restocking of the industry contributing to a 3% decline in production for export, despite a higher lamb crop this year (*Meat & Wool New Zealand*). Exports of Australian lamb are forecast to increase 4% in 2010, to 166,000 tonnes swt (*MLA's Sheep and Lamb Industry Projections – Mid Year update*).

Author: Tom Morgan

Table 1
Australia – summary statistics

	Monthly totals compared			Calendar year to August comparisons		
	Aug-09	% change July-09	% change August-08	2009	2008	% change
PRICES						
Livestock indicator prices (c/kg cwt) (MLA's NLRS)						
Eastern Young Cattle Indicator	330.11	-2.9	-5.5	321.9	330.5	-2.6
Japan ox	316.0	-2.8	-8.8	303.7	314.4	-3.4
US cow	260.8	-2.3	-9.4	258.9	263.2	-1.6
Medium steer	315.3	-2.4	-6.6	305.5	314.2	-2.8
Trade steer	337.0	-2.1	-5.8	326.8	333.9	-2.1
Domestic feeder steer (c/kg lwt)	181.5	-1.0	-0.7	175.1	177.1	-1.1
Restocker/feeder lamb	394.0	-7.5	20.0	405.5	323.0	25.5
Merino lamb	346.3	-13.9	3.4	365.0	299.0	22.1
Light lamb	369.3	-8.8	10.3	382.0	325.1	17.5
Trade lamb	438.5	-11.2	-3.2	449.6	391.7	14.8
Heavy lamb	434.8	-12.1	-3.9	453.4	386.4	17.3
Mutton	283.3	-6.8	48.0	241.3	185.0	30.4
Export indicator prices (trade)						
Chld grassfed f/sets (A¢/kg FAS)	513.0	-6.7	-11.5	539.0	531.0	1.5
Chld shortfed f/sets (A¢/kg FAS)	589.0	-4.6	-14.1	608.0	679.9	-10.6
90CL manufacturing beef (A¢/kg FAS) (Steiner)	314.8	-4.3	-22.4	342.2	341.3	0.3
Domestic wholesale prices c/kg (trade)						
Young cattle (C2 cwt 160-180kg)	427.5	-1.0	-	-	-	-
Lamb (cwt 16-18kg FS2)	580.0	-5.2	8.9	533.8	471.0	13.3
Exchange rates (Infoscan)						
A\$/US\$	0.834	3.7	-6.6	0.739	0.925	-20.1
US\$/¥	94.8	0.2	-13.1	95.1	105.6	-9.9
A\$/¥	79.1	4.1	-18.8	70.3	97.7	-28.1
YARDINGS ('000 head) (MLA's NLRS reported saleyards)						
cattle	197.8	-1.0	-1.1	1,629	1,649	-1.2
lamb	742.0	-6.9	7.1	6,629	6,241	6.2
sheep	297.2	6.4	-26.2	3,347	3,513	-4.7
AVERAGE WEEKLY 4 STATES SLAUGHTER (MLA's NLRS)						
cattle	133,474	3.9	13.0	128,432	118,940	8.0
lambs	329,326	17.3	28.8	315,260	290,452	8.5
sheep	119,974	26.4	-6.1	138,368	137,845	0.4
PRODUCTION (tonnes cwt) (ABS)						
beef	188,271	8.0	1.0	1,236,074	1,249,218	-1.1
veal	3,375	41.3	25.6	16,199	13,745	17.9
mutton	11,992	-13.7	-12.1	125,441	147,355	-14.9
lamb	31,309	-4.8	9.4	249,196	237,235	5.0
AVERAGE CARCASE WEIGHTS (kg/head) (ABS)						
cattle	270.7	1.6	0.5	269.3	268.5	0.3
calves	39.8	10.6	34.9	45.2	37.7	19.9
sheep	20.8	4.5	0.5	20.4	21.0	-2.9
lambs	20.3	-1.5	3.0	20.7	20.6	0.5
LIVE EXPORTS (head) (ABS)						
cattle	82,424	0.0	17.0	494,941	460,372	7.5
sheep	374,260	201.6	1.6	2,106,727	2,248,791	-6.3

Note: Four states slaughter includes NSW, Qld, Vic and SA.

Table 2
Annual and quarterly forecasts

	2007					2008				2009					
	Annual	Annual	Annual	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
AUSTRALIA															
Production ('000 tonnes carcass weight)															
Beef & veal	2,090	2,188	2,180	491	583	548	539	2,161	523	538	515	532	2,108		
Mutton	241	269	253	74	60	53	69	256	65	48	45	55	273		
Lamb	375	400	439	106	103	91	114	414	111	107	100	112	430		
Pork	387	383	386	91	93	83	81	348	76	84	na	na	na		
Slaughter ('000 head)															
Cattle	7,643	7,985	8,050	1,803	2,155	2,007	1,989	7,955	1,904	1,989	1,880	1,917	7,690		
Calves	823	869	910	96	208	371	141	816	106	195	365	139	805		
Sheep	11,636	13,113	12,042	3,409	2,912	2,512	3,184	12,017	3,158	2,429	2,041	2,598	10,226		
Lamb	18,228	19,493	21,154	5,013	5,022	4,654	5,653	20,342	5,310	5,151	4,998	5,424	20,883		
Pigs	5,334	5,319	5,346	1,263	1,282	1,155	1,142	4,842	1,068	1,158	na	na	na		
Exports ('000 tonnes shipped weight)															
Beef & veal	909	954	941	190	264	246	258	957	218	246	243	243	950		
Mutton	141	163	150	47	39	28	45	158	40	33	28	33	134		
Lamb	142	147	161	40	38	29	45	152	41	41	37	41	160		
Cattle ('000 head)	573	637	720	198	192	235	245	870	176	239	225	200	840		
Sheep ('000 head)	4,185	4,167	3,776	993	887	1,099	1,235	4,215	854	881	915	1,150	3,800		
<i>italics indicate forecasts</i>															
UNITED STATES															
Production ('000 tonnes carcass weight)															
Beef	11,196	11,863	11,979	2,890	3,129	3,133	2,895	12,048	2,884	3,012	3,121	2,962	11,929		
Pork	9,382	9,550	9,951	2,732	2,537	2,555	2,766	10,590	2,636	2,495	2,481	2,722	10,333		
Broilers	16,041	16,217	16,273	4,148	4,282	4,290	4,021	16,740	3,889	4,051	4,105	4,060	16,105		
Turkey	2,497	2,579	2,677	697	708	711	718	2,833	628	649	658	692	2,626		
Lamb & mutton	88	84	83	21	20	19	20	79	19	19	18	20	76		
Exports ('000 tonnes carcass weight)															
Beef & veal	313	523	664	163	214	276	203	856	174	202	211	204	791		
Pork	1,207	1,359	1,433	502	629	511	476	2,117	469	442	454	533	1,897		
Broilers	2,335	2,391	2,586	684	811	867	797	3,158	795	726	669	726	2,916		
Turkey	258	248	255	67	73	84	83	307	53	54	57	66	230		
Imports ('000 tonnes carcass weight)															
Beef & veal	1,632	1,399	1,435	289	300	265	297	1,151	319	354	322	302	1,297		
Pork	464	449	454	98	93	87	99	377	93	88	86	95	363		
Lamb & mutton	82	86	89	24	22	17	21	84	23	19	17	21	80		
<i>italics indicate forecasts</i>															

Source: ABS, DAFF, MLA forecasts

Source: United States Department of Agriculture

Table 3

Australian beef and veal exports (tonnes swt)

To:	Aug-09	% change Jul-09	% change Aug-08	Calendar year to date		
				2009	2008	% change
Japan	29,645	-10%	1%	241,187	245,121	-2%
US	20,100	-1%	50%	187,087	130,334	44%
Korea	11,485	9%	60%	71,945	81,297	-12%
Canada	861	-26%	-1%	8,265	4,922	68%
Middle East	1,365	-6%	66%	8,703	7,679	13%
Taiwan	2,414	-16%	33%	20,735	16,669	24%
Other Asia	8,223	-2%	66%	58,807	43,778	34%
CIS	1,525	-31%	-80%	9,821	62,426	-84%
EU	603	-30%	-22%	6,076	7,489	-19%
Other	1,933	-8%	-31%	12,633	16,556	-24%
Total	78,154	-5%	12%	625,259	616,271	1%

Source: DAFF

Table 4

Australian lamb exports (tonnes swt)

To:	Aug-09	% change Jul-09	% change Aug-08	Calendar year to date		
				2009	2008	% change
US	1,953	-16%	15%	24,539	22,384	10%
Japan	468	-29%	-16%	6,529	6,309	3%
Middle East	3,124	13%	63%	22,913	15,880	44%
China	788	-19%	33%	9,016	9,411	-4%
EU	832	42%	67%	6,945	6,352	9%
Pacific	1,021	2%	17%	7,789	6,950	12%
Africa	648	6%	-44%	5,125	7,911	-35%
Other	2,316	-11%	21%	21,817	20,284	8%
Total	11,150	-3%	21%	104,673	95,481	10%

Source: DAFF

Pacific = PNG, New Zealand and Pacific Islands

Table 5

Australian mutton exports (tonnes swt)

To:	Aug-09	% change Jul-09	% change Aug-08	Calendar year to date		
				2009	2008	% change
Middle East	3,592	-3%	23%	35,661	35,375	1%
Asia	1,956	37%	5%	24,324	21,371	14%
Africa	217	25%	-83%	5,467	10,742	-49%
North America	458	125%	-62%	8,981	13,176	-32%
CIS	488	158%	-39%	2,751	7,875	-65%
EU	416	289%	61%	3,011	2,611	15%
Other	853	4%	-7%	7,809	10,095	-23%
Total	7,980	21%	-14%	88,004	101,245	-13%

Source: DAFF

North America = Mexico, Canada & United States

CIS = Commonwealth of Independent States

ISSN 1443-8801

Free to MLA members

For further information

please call toll free 1800 023 100 or 02 9463 9163 or fax 02 9954 0752

Also available on www.mla.com.au

© Meat & Livestock Australia, 2009. ABN 39 081 678 364.

MLA makes no representations as to the accuracy of any information or advice contained in *Industry overview* and excludes all liability, whether in contract, tort (including negligence or breach of statutory duty) or otherwise as a result of reliance by any person on such information or advice.

