

STATE OF THE INDUSTRY REPORT

The Australian
red meat and
livestock industry



Meat & Livestock Australia acknowledges the contribution of EY in compiling this report.



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Executive summary

The Australian red meat and livestock industry faced one of the most challenging years on record in 2019, as a myriad of pressures unfolded, in domestic and global markets.

Drought conditions intensified across the eastern states, with the Bureau of Meteorology officially declaring 2019 as the hottest and driest year on record in Australia. Cattle and sheep producers were forced to destock paddocks, driving the national herd and flock to historical lows and the national bushfire crisis further tested the resilience of Australian red meat producers.

Despite these challenges, Australian red meat continues to be recognised as the high quality protein of choice worldwide.

While domestic consumption of red meat has steadily declined over the past two decades, Australia remains one of the world's largest consumers of beef and sheepmeat, with per capita consumption sitting well above the global average. Australia was the largest exporter of sheepmeat and second largest beef exporter in 2019, accounting for nearly a quarter of total red meat traded. China's position as a key market for Australian meat continued to grow, with the outbreak of African Swine Fever (ASF) driving demand for protein to the market.

The number of red meat and livestock businesses in Australia has remained relatively stable over the past five years, with a minor decline reported in 2018–19. Despite

this, industry turnover of red meat and livestock recorded a notable increase over the same period, while industry value add and employment levels in the red meat sector remained stable at a time when the industry was suffering one of the worst droughts on record.

The 2020 annual update to the beef sustainability framework demonstrates the progress the industry has made to improve its sustainability – these include in the areas of biosecurity, the increased use of pain relief, compliance with Australian standards for chemical residues and reduced water usage. A steering committee was formed to develop the sheep sustainability framework, due to be released in the second half of 2020. The important work to achieve the target of CN30 is progressing through a suite of research, development and adoption initiatives.

The impact of COVID-19 has been unprecedented and has caused a slowdown in the global economy, with Australia already experiencing the first signs of an economic recession. Heightened uncertainty and volatility in the global marketplace have seen a shift in consumer needs and purchasing behaviour throughout 2020, with an increased number of consumers seeking products that are deemed trustworthy, healthy and of a high quality. While the long term economic impact of COVID-19 will no doubt be severe, Australia's standing as a provider of high quality red meat product, both domestically and globally, has somewhat sheltered the sector from the worst of the economic fallout.



The operating environment



Australia has a small proportion of the world's cattle and sheep inventory

Around 2% of the global cattle herd in 2018
(ABS, FAO).

Around 6% of the global sheep flock in 2018
(ABS, FAO).



Australia is a key exporter in global red meat markets

In 2019, Australia was the second largest beef exporter, after Brazil
(DAWE, IHS Markit).

Australia was the world's largest sheepmeat exporter in 2019
(DAWE, IHS Markit, Comtrade).

Australia was the world's largest goatmeat exporter in 2017
(DAWE, FAO).

In 2019, Australia exported more than 1.3 million live cattle and 1.1 million live sheep
(DAWE).



Global meat consumption is increasing

Over the past 20 years, total global consumption of meat has been steadily increasing at an average annual rate of 1% for beef, 2% for sheepmeat, 2% for pork and 4% for poultry
(OECD-FAO).

In Australia, plant-based protein consumption accounts for 0.3% of fresh meat volume sales, compared to red meat which makes up over a third of total volume of sales
(Nielsen Homescan, 52 weeks to 17 May 2020).



Australia's per capita beef and sheepmeat consumption continues to be one of the largest in the world¹

Australian per capita consumption of beef was approximately 25kg in 2019, compared with a global average of 14.6kg
(ABS, DAWE, OECD-FAO).

Australian per capita consumption of sheepmeat was approximately 6.8kg in 2019, compared with a global average of 1.3kg
(ABS, DAWE, OECD-FAO).

¹ Domestic meat consumption is measured by removing the portion of exports (DAWE data) from total production (ABS data) and assuming the difference is consumed (or at least disappears) domestically. Imports are also added to domestic consumption when present. Per capita consumption is calculated by dividing domestic consumption by ABS population data. Please note that domestic per capita consumption is entirely a supply statistic and does not take account of waste or non-food uses of livestock meat products.

The industry environment

PRODUCTION OF LIVESTOCK

Global and Australian herd and flock size

- The global cattle herd was 1.49 billion head in 2018 (see Figure 1) (FAO).
- The global sheep flock was 1.21 billion head in 2018 (see Figure 1) (FAO).
- Australia accounts for a small proportion of the world's herd and flock, approximately 2% of the global cattle herd and 6% of the global sheep flock (ABS, FAO).
- Australia's cattle herd was 24.7 million head² at June 2019 and the sheep flock was 65.7 million head² (see Figures 2 and 3) (ABS).

Production

- Global beef and veal production was 67.35 million tonnes cwe in 2018 (see Figure 4) (FAO).
- Global sheepmeat production was 9.78 million tonnes cwe in 2018 (see Figure 4) (FAO).
- Australia accounted for approximately 4% of global beef production and around 7% of global sheepmeat production in 2018 (ABS, FAO).
- Australia produced 731,281 tonnes cwt of lamb and mutton and 2.4 million tonnes cwt of beef and veal in 2019 (ABS).



Figure 1. Global cattle herd and sheep flock

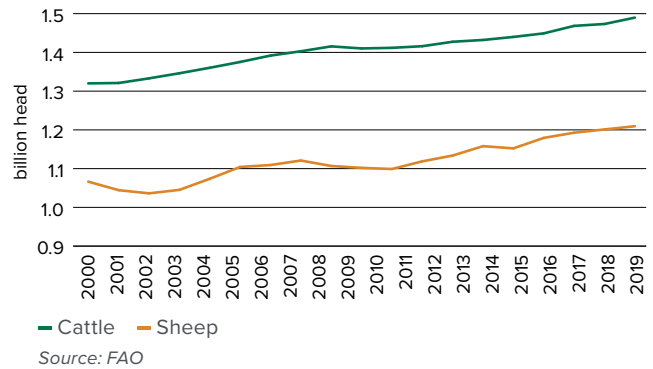


Figure 2. Australian cattle herd

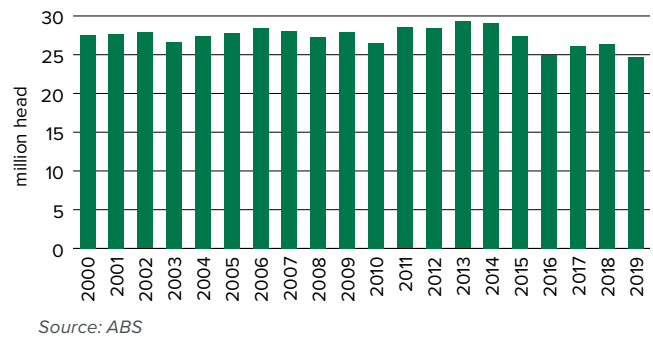


Figure 3. Australian sheep flock

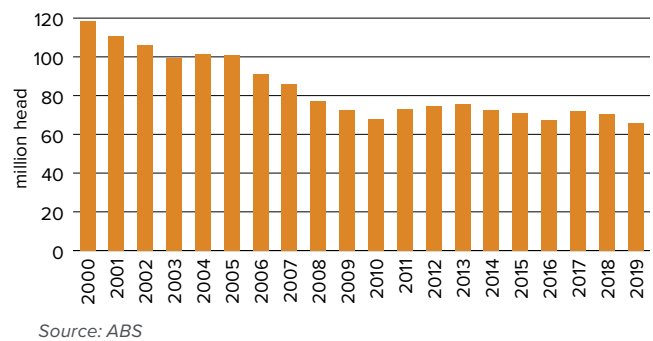
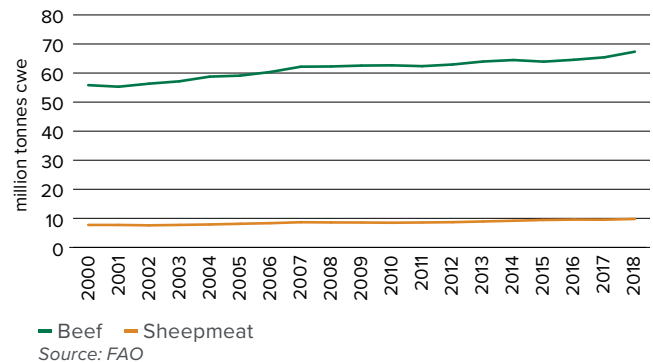


Figure 4. Global beef and sheepmeat production



² Please note, in 2015–16 the ABS survey structure changed which removed small farm businesses (estimated value of agricultural operations <\$40,000) from livestock populations. This change has meant some livestock previously included in the survey are now excluded. For the purpose of this report, official ABS data has been used. This figure differs from MLA's Cattle and Sheep Projections, which seek to estimate herd and flock numbers from all farm businesses.

CONSUMPTION OF RED MEAT

Global consumption

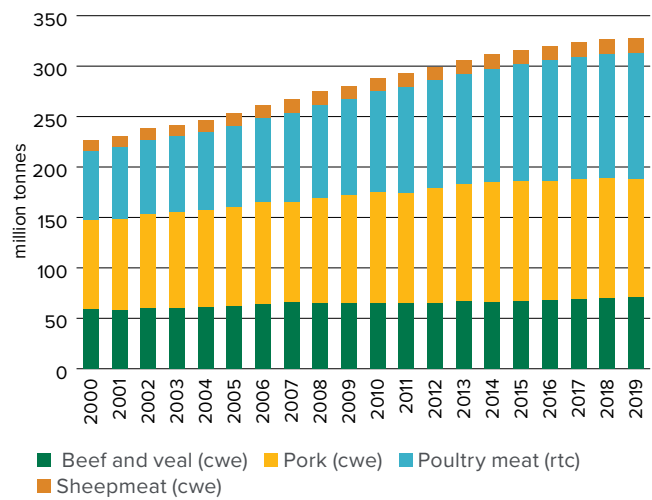
- Over the past 20 years, global consumption of meat has been steadily increasing (see Figure 5). Total global consumption increased at an average annual rate of 1% for beef and veal, 2% for sheepmeat, 2% for pork and 4% for poultry (OECD-FAO).
- In 2019, sheepmeat accounted for 5% of total global meat consumption (excluding seafood), while beef and veal accounted for 21%. Poultry and pork accounted for 36% and 38%, respectively (OECD-FAO).

Domestic consumption

- There has been a steady decline in Australia's per capita consumption of red meat over the last two decades. Despite this, Australia remains one of the world's largest consumers of beef, with per capita consumption in 2019 averaging 25kg³ (see Figure 6) (ABS, DAWE, MLA calculations).
- In recent years the retail price for lamb has climbed higher, however Australia continues to be one of the largest per capita consumers of sheepmeat in the world. In 2019, Australian per capita consumption of sheepmeat declined to 6.8kg (see Figure 6) (ABS, DAWE, MLA calculations).
- With the national flock declining and the focus of production shifting, domestic consumption of mutton is extremely low. Consumer preferences toward lamb combined with increased interest from export markets for quality sheepmeat has resulted in almost all of Australia's mutton being exported.
- Two thirds of Australian consumers have maintained their level of red meat consumption over the past 10 years, while 29% of consumers have reduced their intake and 8% of consumers have increased their red meat consumption (see Figure 7) (MLA Community Sentiment Research).

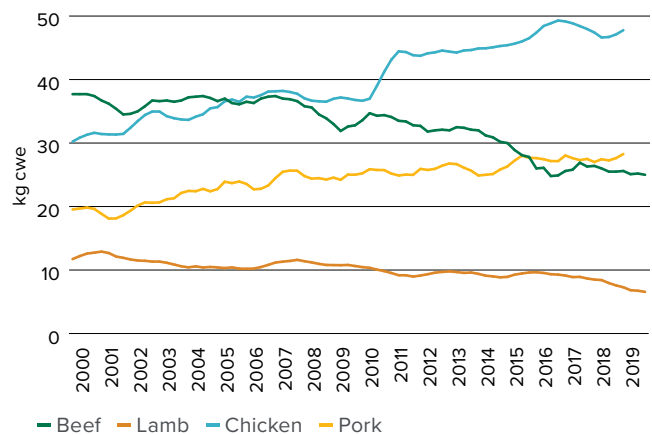


Figure 5. Total global meat consumption



Source: OECD-FAO

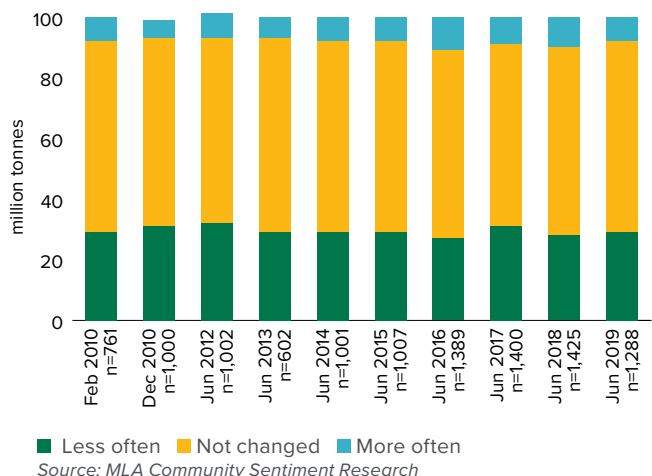
Figure 6. Australian per capita meat consumption - fresh and processed



Source: ABS, DAWE, MLA calculations

Note: rolling 12-month average per capita consumption kg/head

Figure 7. Australian red meat consumption patterns



Source: MLA Community Sentiment Research

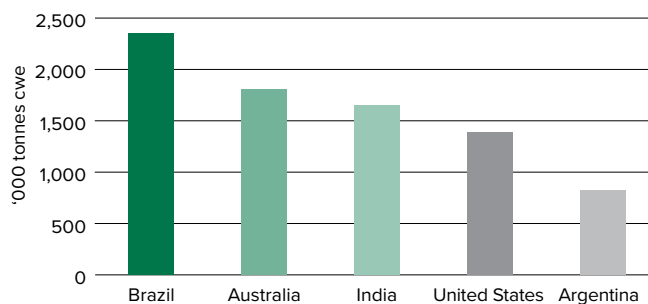
³ Domestic meat consumption is measured by removing the portion of exports (DAWE data) from total production (ABS data) and assuming the difference is consumed (or at least disappears) domestically. Imports are also added to domestic consumption when present. Per capita consumption is calculated by dividing domestic consumption by ABS population data. Please note that domestic per capita consumption is entirely a supply statistic and does not take account of waste or non-food uses of livestock meat products.

KEY EXPORT AND IMPORT PLAYERS

Exports

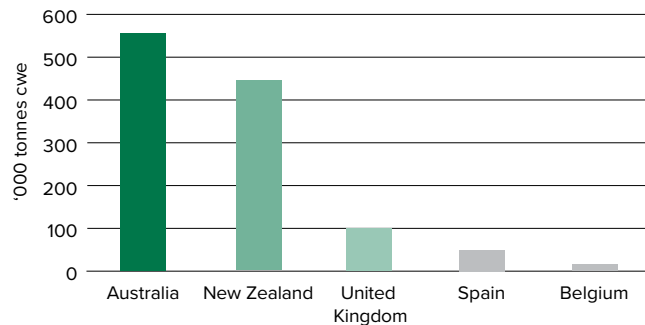
- Australia was the second largest beef and veal exporter in 2019, after Brazil (see Figure 8) (DAWE, IHS Markit).
- In 2019, Australia was the world's largest sheepmeat exporter, followed by New Zealand (see Figure 9) (DAWE, IHS Markit, Comtrade).
- Australia was the world's largest goatmeat exporter in 2017 (see Figure 10) (DAWE, FAO).

Figure 8. Top five beef and veal exporting countries (2019)



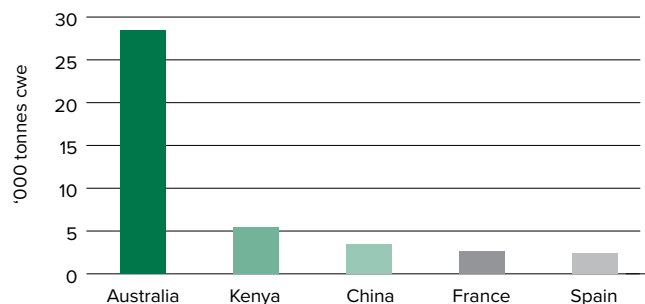
Source: DAWE, IHS Markit

Figure 9. Top five sheepmeat exporting countries (2019)



Source: DAWE, IHS Markit, Comtrade

Figure 10. Top five goatmeat exporting countries (2017)

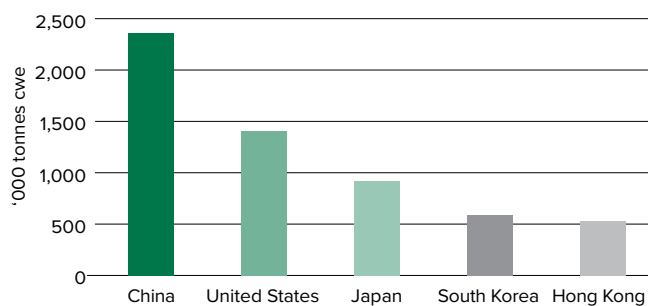


Source: DAWE, FAO

Imports

- In 2019, China held its position as the largest importer of beef and veal (in volume terms), followed by the US and Japan (see Figure 11) (IHS Markit).
- China was also the largest importer of sheepmeat in 2019, followed by the US and France (see Figure 12) (FAO).
- In 2017, the largest goatmeat importers were the US, China and the United Arab Emirates (see Figure 13) (FAO).

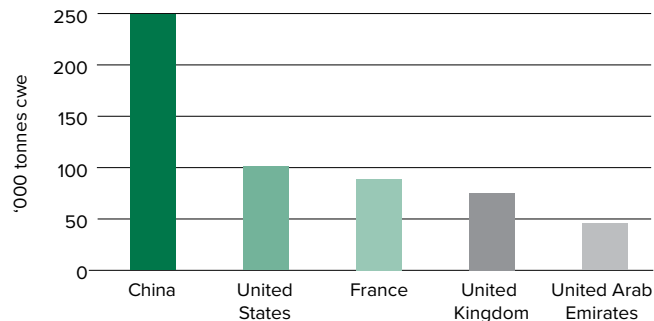
Figure 11. Top five beef and veal importing countries (2019)



Source: IHS Markit

Note: China includes direct imports only

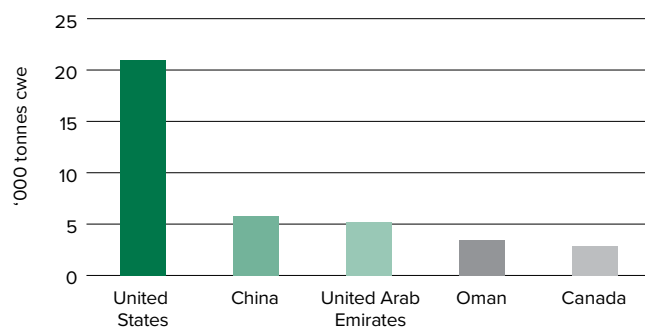
Figure 12. Top five sheepmeat importing countries (2017)



Source: FAO

Note: China includes direct imports only

Figure 13. Top five goatmeat importing countries (2017)



Source: FAO

The economic importance of the Australian red meat and livestock industry

In 2018–19, domestic and export sales of red meat totalled \$28.5 billion. Red meat exports accounted for \$17.2 billion and domestic sales contributed \$11.3 billion.

INDUSTRY TURNOVER⁴

Industry turnover is defined as income generated by businesses within the industry from the sales of goods and services.

In 2018–19, Australia’s red meat and livestock industry turnover was \$72.5 billion, up 7% on revised 2017–18 figures and an increase of 42% from 2013–14 (ABARES, IBISWorld).

Trends over time

- Red meat and livestock industry turnover increased 42% from 2013–14 to 2018–19, driven by significant growth in the feedlot sector and on-farms sectors (beef cattle, sheep and mixed farming) of the industry (see Figure 14). This is due to producers increasingly utilising feedlots as a means for drought mitigation in recent years, combined with increased demand for grainfed beef in export markets.
- The processing sector also increased turnover, up 38% from 2013–14, while wholesaling improved 32% in the same period.
- Turnover by the domestic retailing sector also increased over this period, up 14%.

Composition by sub-sector

- In 2018–19, red meat and livestock production (beef cattle, sheep and mixed farming and feedlots) accounted for 52%, or \$37.8 billion, of overall industry turnover, followed by processing (29%, or \$20.9 billion) and wholesale and retail sales (19%, or \$13.7 billion) (see Figure 15).

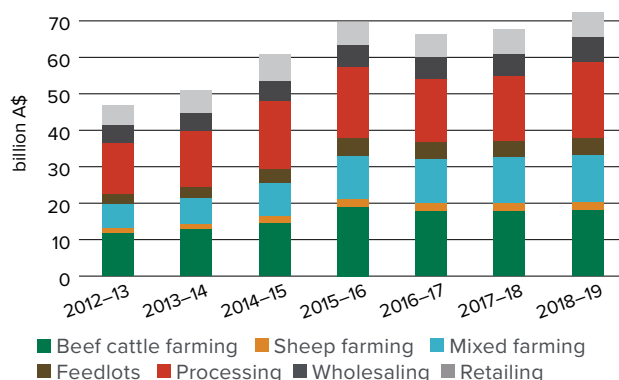
By state

- New South Wales, Victoria and Queensland accounted for more than 70% of red meat and livestock industry turnover in 2018–19, followed by Western Australia (14%) and South Australia (9%) (see Figure 16).

Comparison to other industries

- The red meat and livestock industry’s turnover totalled \$72.5 billion in 2018–19, accounting for approximately 2% of Australia’s total key industry turnover.
- In comparison to other industries, the red meat and livestock industry turnover is only 18% below the entire ‘Information, media and telecommunications’ industry and is larger than both the ‘Arts and recreation services’ and ‘Education and training (private)’ industries (see Figure 17).
- The largest industry by turnover in 2018–19 ‘Wholesale trade’ was nearly eight times as large as the red meat and livestock turnover.

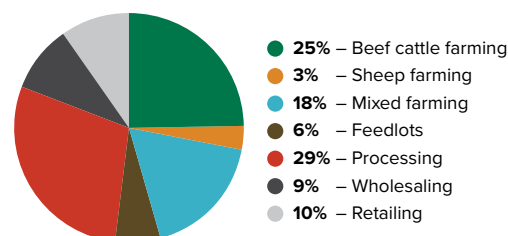
Figure 14. Industry turnover by sub-sector*



Source: EY, IBISWorld

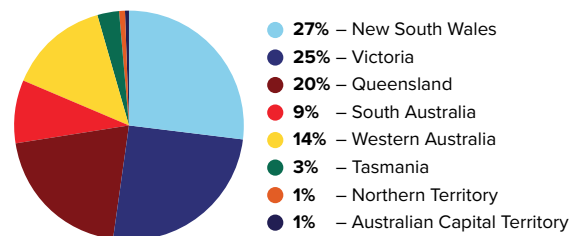
*The contribution of live exports to industry turnover is represented in beef, sheep and mixed farming.

Figure 15. Industry turnover by sub-sector (2018–19)



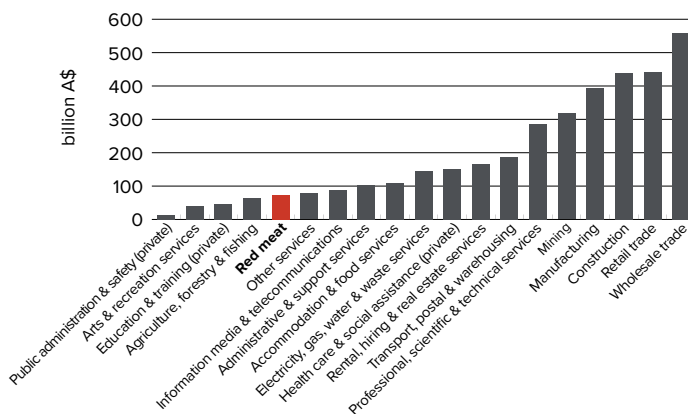
Source: EY, IBISWorld, ABS

Figure 16. Industry turnover by state (2018–19)



Source: EY, IBISWorld, ABS

Figure 17. Industry turnover compared with other industries (2018–19)



Source: EY, IBISWorld, ABS

Note: This only includes direct industry turnover for the defined industries

⁴ All statistics referenced within this section are sourced from IBISWorld, ABARES

Table 1: Industry turnover by sub-sector (\$m, 2012–13 to 2018–19)

Sub-sector	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Beef cattle farming	11,737	12,678	14,496	18,973	17,691	17,723	17,945
Sheep farming	1,416	1,539	2,061	2,028	2,319	2,437	2,459
Mixed farming	6,518	7,217	8,944	11,950	12,050	12,376	12,757
Feedlots	2,787	3,014	3,824	4,866	4,736	4,531	4,635
Processing	13,916	15,175	18,751	19,545	17,097	17,579	20,894
Wholesaling	5,038	5,170	5,467	6,014	6,175	6,278	6,803
Retailing	5,421	6,095	7,254	6,271	6,287	6,592	6,958
Total	46,833	50,888	60,797	69,647	66,355	67,515	72,451

Source: EY, IBISWorld

INDUSTRY VALUE ADD⁵

Industry value add is the overall value of goods and services produced by businesses in an industry (also known as contribution to gross domestic product (GDP))

(ABARES, IBISWorld).

Australia's red meat and livestock industry value add was **\$17.6 billion in 2018–19**, 1% higher year-on-year and up **89% from 2013–14**.

Trends over time

- Australia's red meat and livestock industry value add increased 89% from 2013–14 to 2018–19, largely driven by demand for high quality protein in global markets.
- During this period, industry value add for the production sector, encompassing beef cattle, sheep and mixed farming and feedlots, more than doubled, while value add for the processing sector increased 36%.
- Domestic wholesaling and retailing value add increased 17% and 12% respectively, from 2013–14 to 2018–19.

Composition by sub-sector

- In 2018–19, the production sector (beef cattle, sheep and mixed farming and feedlots) accounted for 70% (or \$12.3 billion), followed by processing at 20%, or \$3.5 billion, then sales (wholesale and retail) at 10%, or \$1.7 billion (see Figure 18).

By state

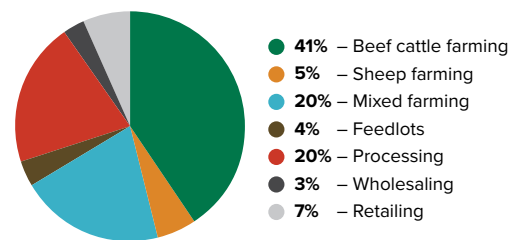
- Queensland, New South Wales and Victoria accounted for over 70% of industry value add in 2018–19, followed by Western Australia (15%) and South Australia (10%) (see Figure 19).

Comparison to other industries

- In 2018–19, value add from the red meat and livestock industry was \$17.6 billion, larger than the 'Arts and recreation services' industry (\$14.9 billion) and 'Public Administration and Safety (private)' industry (\$6.5 billion) (see Figure 20).
- The red meat and livestock industry accounted for 1.4% of Australia's key industry total industry add in 2018–19.
- Mining retained its position with the highest industry value add in 2018–19 (\$187 billion), more than 10 times the value add for the red meat and livestock industry.

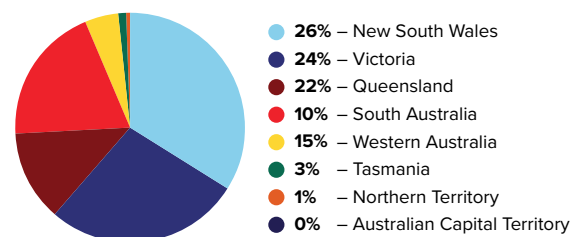
- Within agriculture production, red meat food production (beef cattle, sheep and mixed farming and feedlots) contributed 39% to Australia's total agriculture production value add in 2018–19 (see Figure 21).
- In 2018–19, within the manufacturing industry, red meat and livestock processing contributed 3% to Australia's overall manufacturing industry value add (see Figure 22).
- Within the sales industry, red meat and livestock retail and wholesaling contributed 1% to Australia's overall sales industry value add in 2018–19 (see Figure 23).

Figure 18. Industry value add by sub-sector (2018–19)



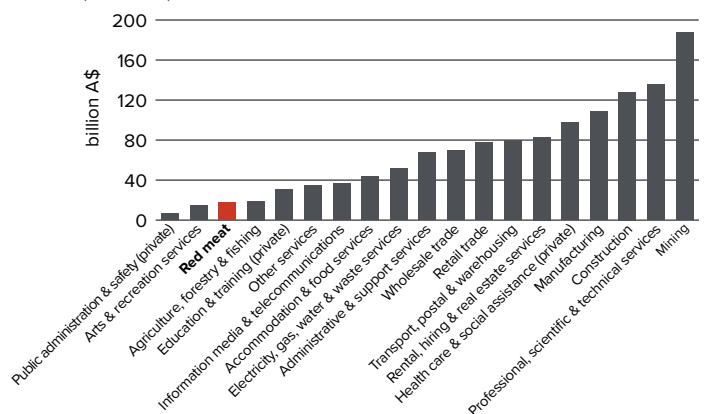
Source: EY, IBISWorld

Figure 19. Industry value add by state (2018–19)



Source: EY, IBISWorld, ABS

Figure 20. Industry value add compared with other industries (2018–19)



Source: EY, IBISWorld, ABS

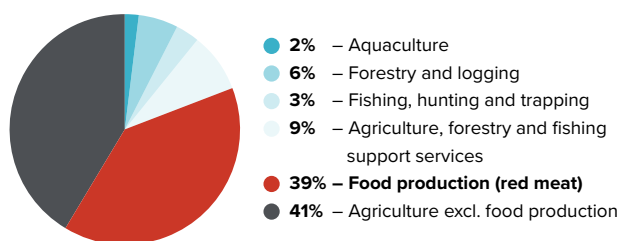
⁵ All statistics referenced within this section are sourced from IBISWorld, ABARES

Table 2: Industry value add by sub-sector (\$m, 2012–13 to 2018–19)

Sub-sector	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Beef cattle farming	3,795	2,125	3,449	7,803	8,541	7,237	7,170
Sheep farming	453	425	721	675	879	946	947
Mixed farming	2,217	2,173	2,869	4,825	5,639	4,170	3,575
Feedlots	345	506	616	705	751	719	644
Processing	2,218	2,606	3,726	2,735	2,522	2,817	3,541
Wholesaling	468	476	480	481	492	496	557
Retailing	936	1,005	1,203	998	1,058	1,077	1,130
Total	10,433	9,316	13,065	18,223	19,881	17,462	17,564

Source: EY, IBISWorld

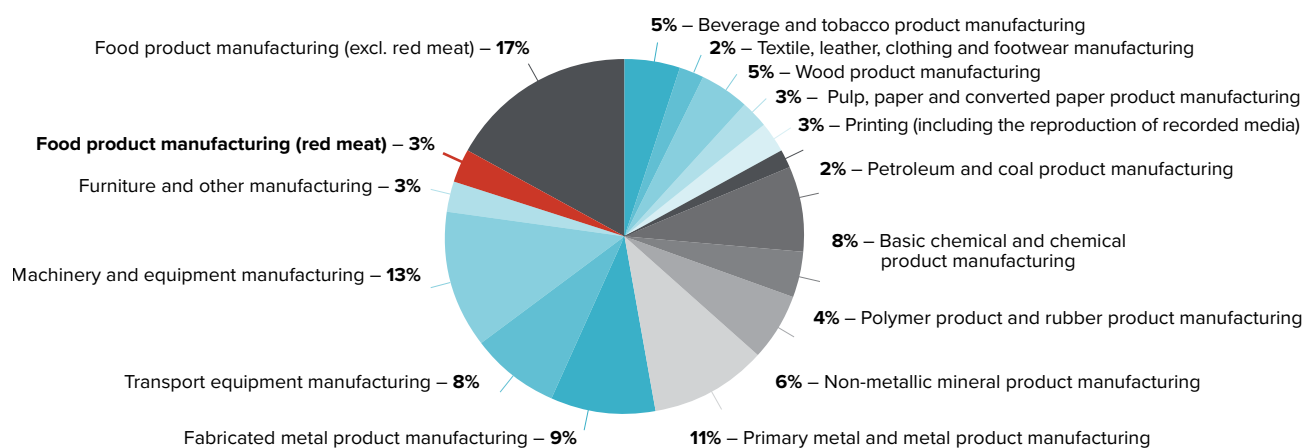
Figure 21. Agriculture production industry value add (2018–19)



Source: ABS, IBISWorld

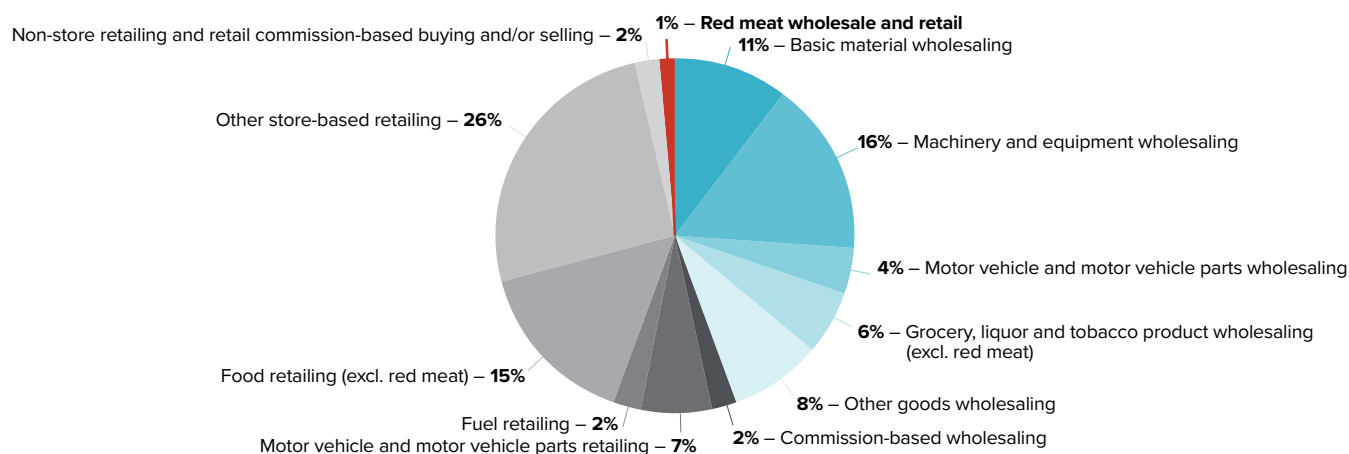


Figure 22. Manufacturing industry value add (2018–19)



Source: ABS, IBISWorld

Figure 23. Sales industry value add (2018–19)



Source: ABS, IBISWorld

■ EMPLOYMENT⁶

In 2018–19, the Australian red meat and livestock industry employed approximately 434,000 people. Of these, 189,000 were directly employed in the industry. The industry was also responsible for the employment of a further 245,000 people in businesses servicing the red meat and livestock industry.

Generation of direct and indirect employment

- The red meat and livestock industry directly employed almost 190,000 people in 2018–19, the same as the previous year and 5% above 2013–14.
- The industry was responsible for generating indirect employment for over 245,000 people in businesses servicing the red meat and livestock industry in 2018–19. These additional jobs included those involved in the transportation of meat and livestock, activities related to livestock sales (i.e. livestock agents) and employment in providing animal health services and supply of farm inputs.

Composition by sub-sector

- The production sector (beef cattle, sheep and mixed farming and feedlots) accounted for 128,880 jobs in 2018–19, with the processing sector accounting for 31,200 jobs and the remainder in wholesaling and retailing (see Figure 24).
- The processing sector generated 2.4 additional indirect jobs for every person directly employed in 2018–19, on par with 2017–18. In the production sector, 1.2 additional indirect jobs were generated.

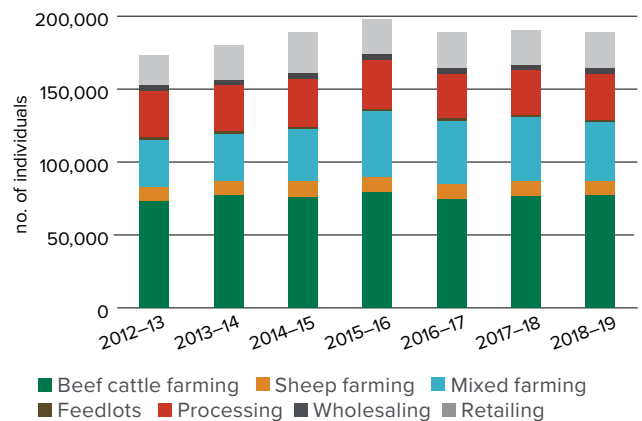
Direct employment by state

- In 2018–19, New South Wales continued to have the highest levels of direct employment in the red meat and livestock industry at 28%, followed by Victoria at 24% then Queensland at 21% (see Figure 25).

Employment compared with other industries and total workforce

- Direct employment in the red meat and livestock industry represented approximately 1.6% of Australia's key industry total employment (see Figure 26).
- Within agriculture production, red meat and livestock production (beef cattle, sheep and mixed farming feedlots) accounted for 29% of Australia's total direct employment in agriculture production in 2018–19 (see Figure 27).
- Within the manufacturing industry, the red meat and livestock processing sector contributed 4% to Australia's overall manufacturing employment in 2018–19 (see Figure 28).
- Within the sales industry, the red meat and livestock retail and wholesale sector contributed 2% to Australia's overall sales industry employment in 2018–19 (see Figure 29).

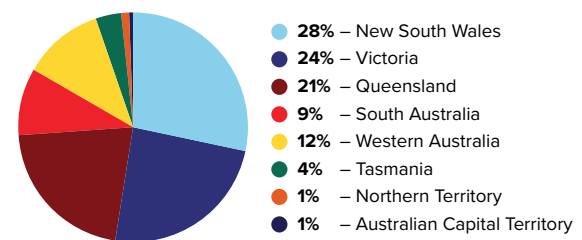
Figure 24. Direct employment by sub-sector*



Source: EY, IBISWorld

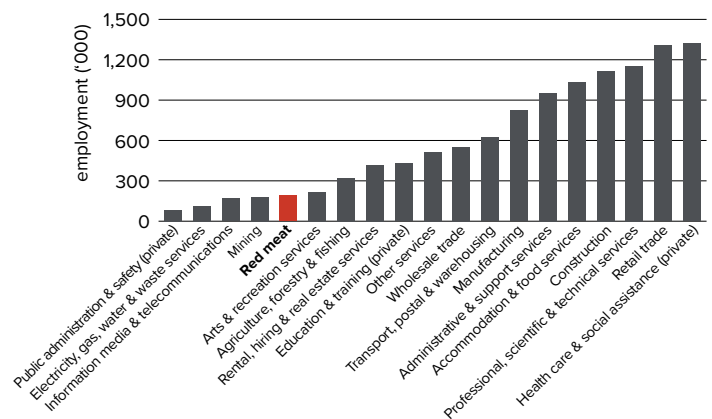
*The contribution of live exports to employment is represented in beef, sheep and mixed farming

Figure 25. Direct employment by state (2018–19)



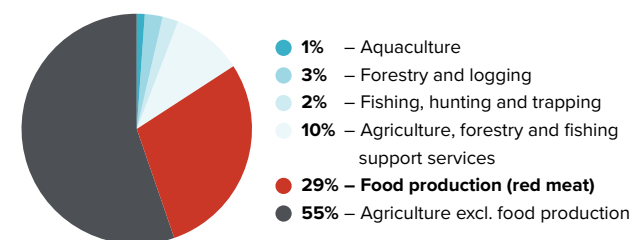
Source: EY, IBISWorld

Figure 26. Direct employment compared with other industries (2018–19)



Source: EY, IBISWorld

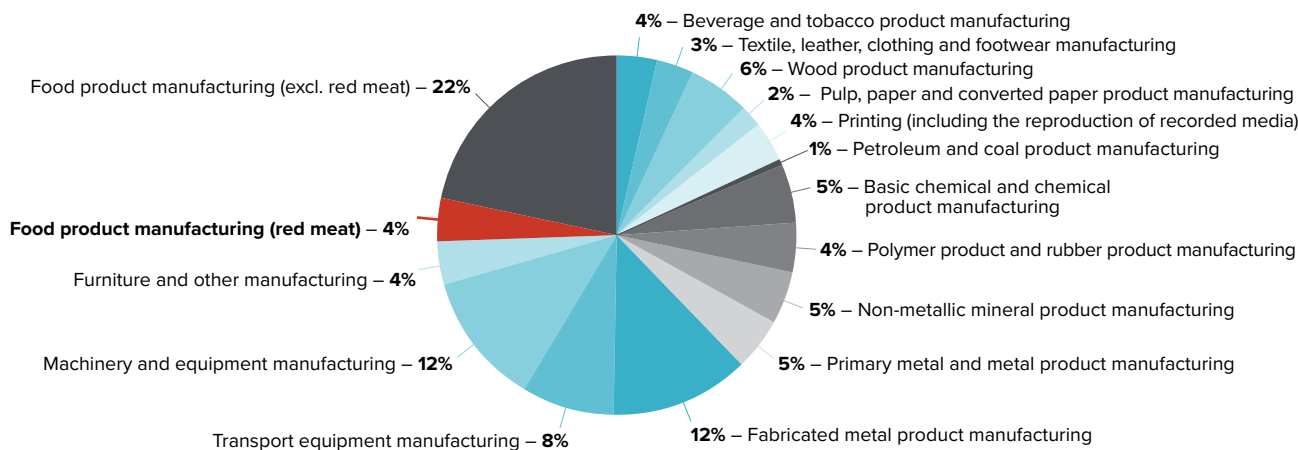
Figure 27. Agriculture production employment (persons) (2018–19)



Source: ABS, IBISWorld

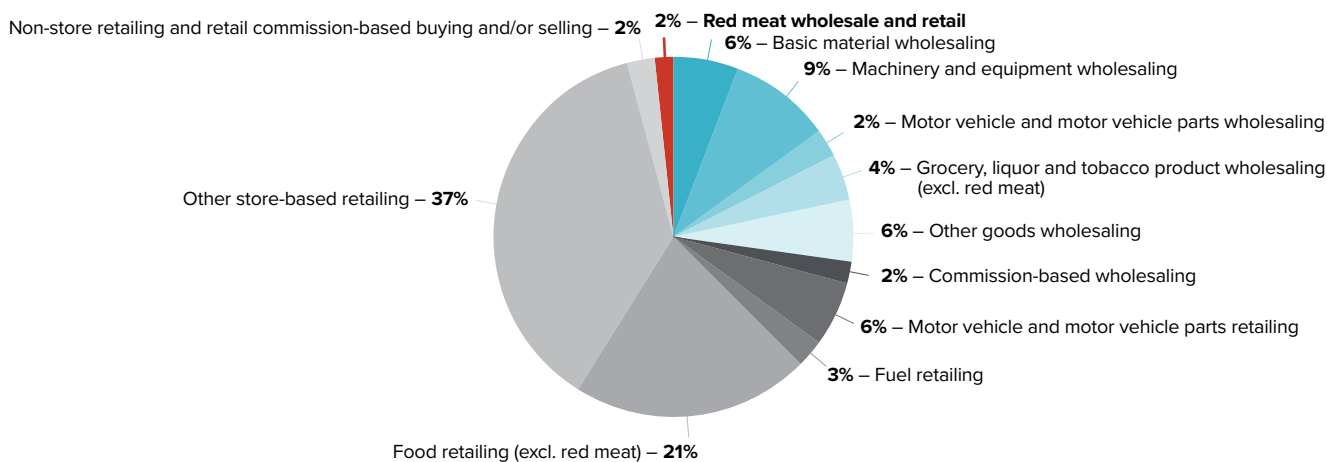
⁶ All statistics referenced within this section are sourced from IBISWorld, ABS

Figure 28. Manufacturing employment (persons) (2018–19)



Source: ABS, IBISWorld

Figure 29. Sales employment (persons) (2018–19)



Source: ABS, IBISWorld

Table 3: Major players in Australia’s red meat processing sector

Company	No. of employees
1 Industry Park Ltd (JBS Australia and Australian Consolidated Food Investment)	11,938
2 Teys Australia	3,891
3 OSI International Foods	2,015
4 Thomas Foods International	1,799
5 NH Foods Australia	1,638
6 Northern Co-operative Meat Company (NCMC)	1,200
7 Kilcoy Pastoral	1,064
8 Yolarno Pty Ltd (previously Bindaree Beef Group and Sanger)	1,000
9 Fletcher International Exports	808
10 Midfield Meat International	658
11 Western Australian Meat Marketing International Co-operative (WAMMCO)	596
12 Craig Mostyn Group	498
13 Australian Agricultural Company Limited (AACo)	424
14 G & K O’Connor	378
15 M C Herd	375
16 Nolan Meats	343

Source: EY, IBISWorld

Industry employment is focused on rural and regional areas

- The majority (90%) of meat and livestock industry employees live in rural and regional areas, assisting decentralisation and not contributing to the growing problem of overcrowding in capital cities (2016).
- Nearly 80% of meat processing employment and almost all beef cattle and sheep production employment is located outside capital cities (2016).

Age profile of the workforce

- Compared to the Australian workforce generally, the meat processing industry offers more employment opportunities to younger Australians, with a median age of 25 to 29 years (see Figure 30) (2016).
- Older Australians tend to dominate in the sheep and beef cattle production sectors (the same as the agriculture sector as a whole) (2016).

Education profile of the workforce

- In the red meat and livestock industry, both the livestock production and meat processing sectors offer most employment opportunities to those with practical and technical skills, rather than higher levels of formal education (2016).
- The highest level of education achieved by more than 50% of red meat and livestock employees is secondary education; 10% of red meat and livestock employees hold a bachelor degree or higher (see Figure 31) (2016).

Indigenous employment

- Specialist sheep farms and mixed farms employ few Indigenous Australians.
- Of those directly employed in specialist beef farms, 1.8% identify as Indigenous (see Figure 32) (2016).
- For specialist beef farms in the Northern Territory, Indigenous employment accounts for 10.7% of the total employment, while in north-west Western Australia, it is 15% (see Figure 32) (2016).
- Indigenous Australians also comprise a higher proportion (2.8%) of the meat processing workforce than for Australian industries in general (1.7%) (see Figure 32) (2016).

Figure 30. Age profile of industry and Australian workforces (2016)

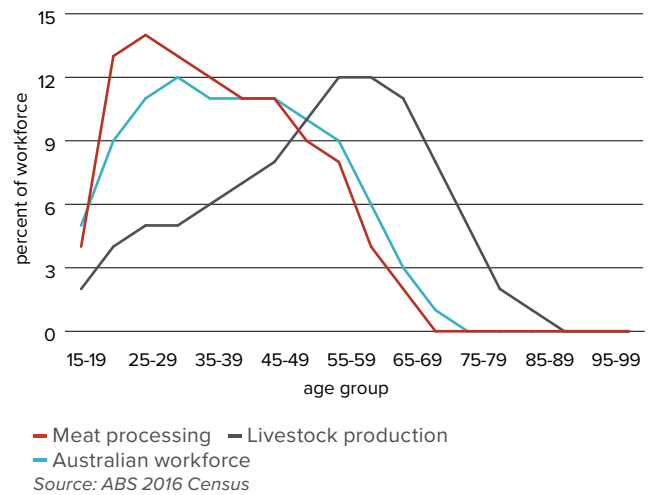


Figure 31. Education profile of industry and Australian workforces (2016)

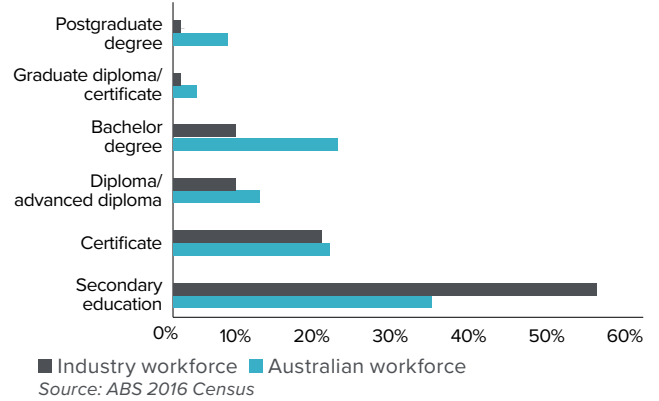
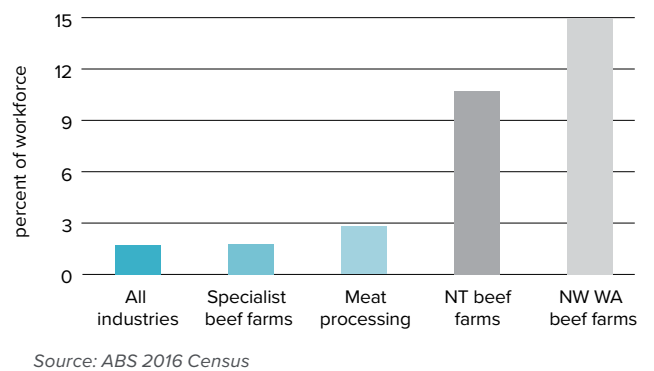


Figure 32. Indigenous employment in the beef/processing industry (2016)



NUMBER OF BUSINESSES⁷

In 2018–19, Australia recorded nearly 77,500 red meat and livestock businesses, back 3% from 2017–18 but in line with the number of businesses in 2013–14 (see Figure 33).

Trends over time

- The number of businesses within the red meat and livestock industry has remained relatively consistent in recent years, peaking in 2015–16 before easing to be in line with numbers in 2013–14 (see Figure 33).
- This stable number of businesses since 2013–14 contrasts with the 42% increase in industry turnover and 89% increase in industry value add.

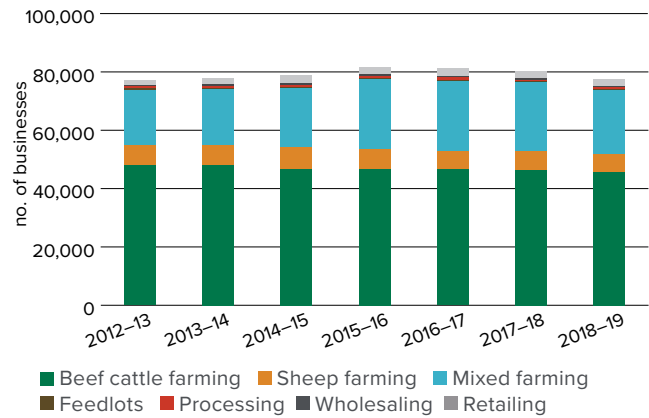
Composition by sub-sector

- In 2018–19, production (beef cattle, sheep and mixed farming and feedlots) accounted for 95.6% of all red meat and livestock businesses. Sales, which encompasses wholesale and retail, made up 3.5%, with the processing sector accounting for the remaining 0.9% (see Figure 34).

By state

- New South Wales recorded the largest number of red meat and livestock businesses in 2018–19 (18,749), accounting for 24% of all red meat and livestock businesses in Australia. Victoria followed closely at 23% (17,802) and Queensland at 22% (16,694) (see Figure 35).

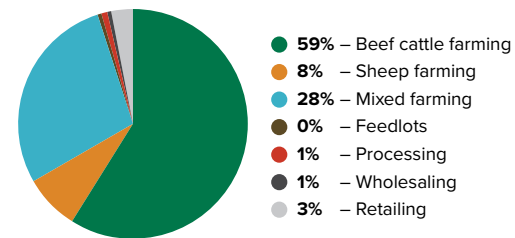
Figure 33. Red meat and livestock businesses across the supply chain*



Source: EY, IBISWorld

*The contribution of live exports to businesses is represented in beef, sheep and mixed farming.

Figure 34. Business numbers by sub-sector (2018–19)



Source: EY, IBISWorld

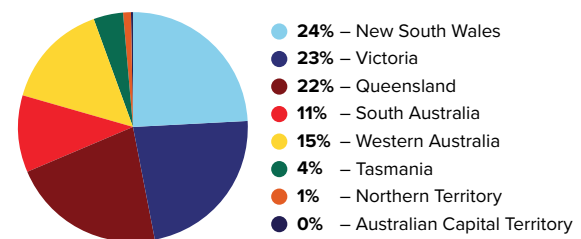
Table 4: Number of businesses by sub-sector (2012–13 to 2018–19)

Sub-sector	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Beef cattle farming	47,943	48,011	46,810	46,683	46,527	46,391	45,712
Sheep farming	6,902	6,842	7,480	6,652	6,456	6,201	6,021
Mixed farming	18,983	19,120	20,042	24,000	23,848	23,752	21,902
Feedlots	412	403	398	395	395	383	380
Processing	714	797	758	790	705	644	668
Wholesaling	545	546	554	542	536	524	547
Retailing	1,564	2,018	2,740	2,699	2,690	2,198	2,179
Total	77,063	77,738	78,783	81,761	81,157	80,094	77,409

Source: EY, IBISWorld



Figure 35. Red meat and livestock business numbers by state (2018–19)



Source: EY, IBISWorld, ABS

⁷ All statistics referenced within this section are sourced from IBISWorld, ABS

EXPORTS

Red meat and livestock exports totalled approximately \$16.3 billion in 2018–19, an increase of 16% year-on-year and 43% higher than 2013–14 levels.

Trends over time

- Red meat and livestock exports (including co-products) increased 41% from 2013–14 levels, to total \$17.2 billion in 2018–19, with demand from international markets driving a large increase in both chilled and frozen meat exports (see Figure 36) (IHS Markit, Comtrade).

Composition by sub-sector

- Australia's red meat and livestock exports occur in three primary forms: meat, meat co-products and further processed products, and livestock.
- In 2018–19, the value of chilled and frozen meat accounted for nearly 80% of total meat and livestock exports at \$13.5 billion, with live sheep and cattle exports accounting for 10% at \$1.7 billion. Co-products and further processed exports accounted for the other 10%, valued at \$1.9 billion (see Figure 36) (IHS Markit, Comtrade).

By state of production

- Of all Australian states and territories, Queensland continued to be the largest exporter of red meat in 2018–19, accounting for approximately 39% of Australia's export volumes (see Figure 37) (DAWE).
- The three mainland eastern states accounted for 86% of total red meat exports, followed by Western Australia (6%), South Australia (5%) and Tasmania (3%) (DAWE).

Comparison to other industries

- In 2018–19, red meat and livestock exports accounted for approximately 4% of Australia's key industry exports, valued at \$16.3 billion (see Figure 38).

Figure 36. Export value by category

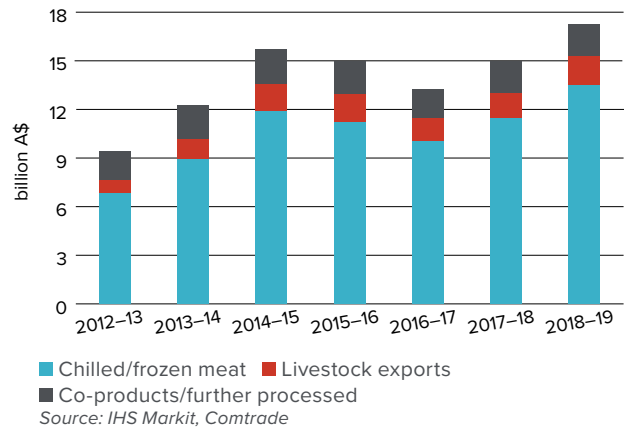


Figure 37. Red meat export volume by state of production (2018–19)

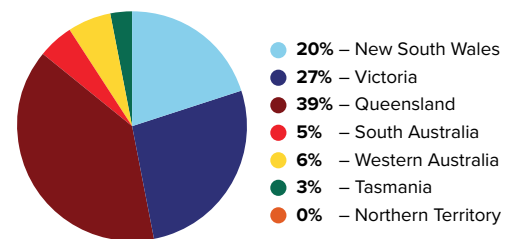
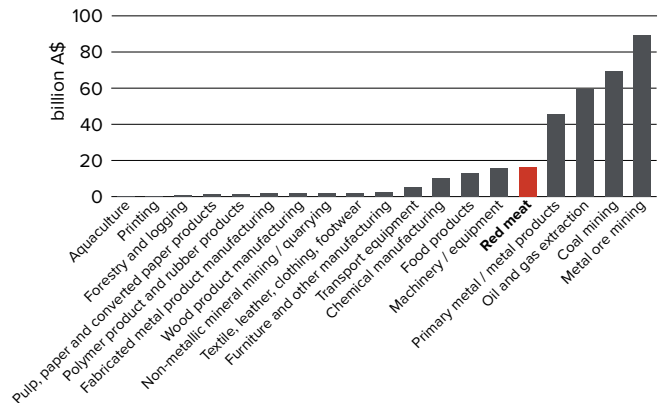


Figure 38. Exports compared with other industries (2018–19)



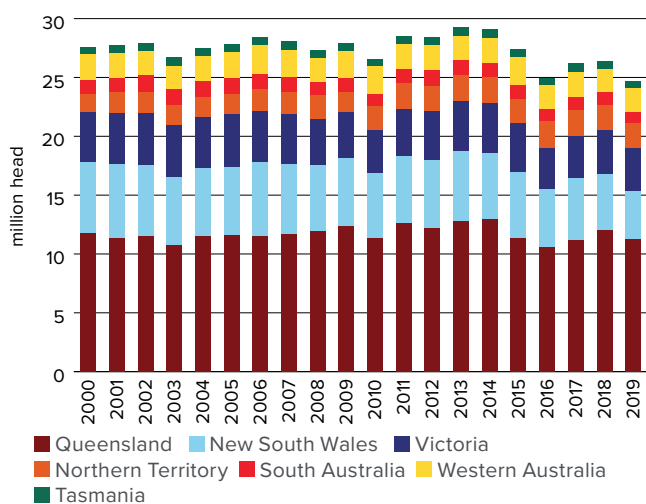
Species statistics and performance

■ BEEF CATTLE

Herd size

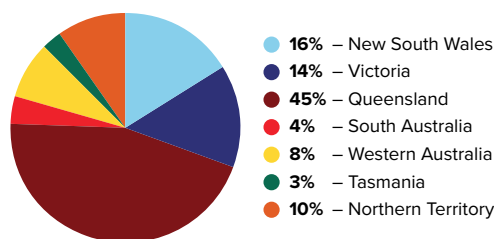
- The Australian cattle herd was 24.7 million head⁸ at 30 June 2019, back 6% year-on-year (see Figure 39) (ABS).
- 91% of the herd comprised beef cattle, while 9% were dairy cattle in 2018–19 (ABS).
- Queensland cattle accounted for 45% of the national herd, New South Wales made up 16% and Victoria accounted for 15% in 2018–19. Northern Territory and Western Australia accounted for 9% and 8% respectively, while South Australia and Tasmania made up the remaining 4% and 3% respectively (see Figure 40) (ABS).
- 52% of the beef herd were cows and heifers (aged one year and over) in 2018–19 (see Figure 41) (ABS).

Figure 39. Australian cattle herd by state/territory



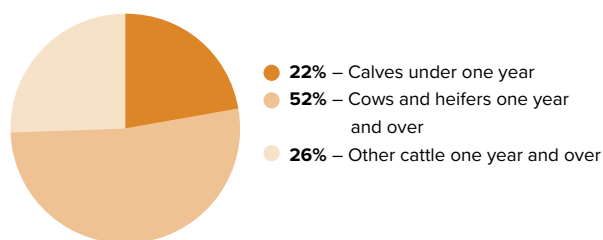
Source: ABS

Figure 40. Australian cattle herd by state/territory (2019)



Source: ABS, Data as at June 2019

Figure 41. Australian beef cattle herd composition (2019)

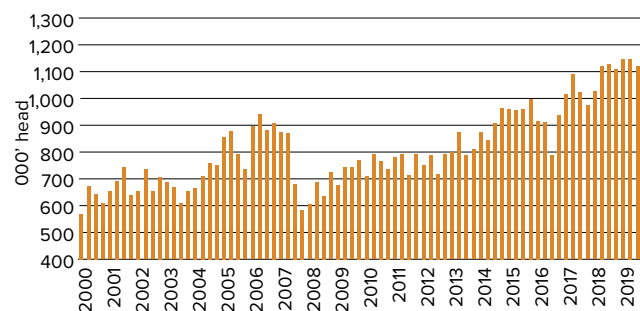


Source: ABS, Data as at June 2019

Feedlots

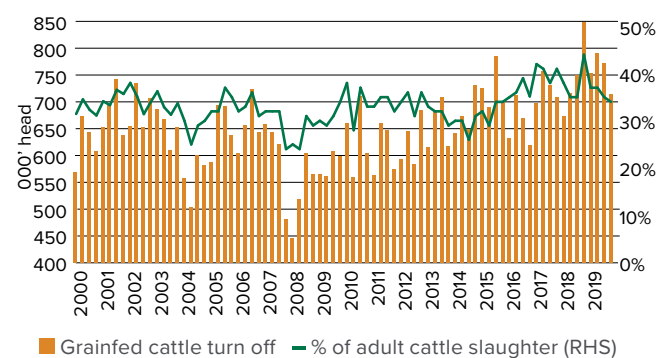
- There was a record number of cattle on feed in Australia in the December quarter 2019 at 1.24 million head. This was largely driven by ongoing dry conditions and increased demand from key export markets for grainfed beef.
- The national quarterly average of the number of cattle on feed in 2019 was 1.16 million head, 6% higher than the previous year (see Figure 42) (MLA/ALFA Feedlot Survey).
- Australia's average quarterly feedlot utilisation was 85% in 2019 (AUS-MEAT, MLA/ALFA Feedlot Survey).
- There were 3 million grainfed cattle turned off in 2019, steady with 2018 levels (MLA/ALFA Feedlot Survey).
- Grainfed cattle accounted for 36% of total adult cattle slaughter in 2019 (see Figure 43) (MLA/ALFA Feedlot Survey).

Figure 42. Australian cattle on feed



Source: MLA/ALFA feedlot survey

Figure 43. Australian grainfed cattle turnoff



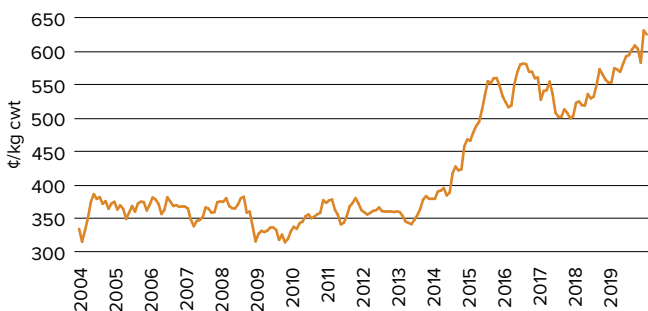
Source: ABS, MLA/ALFA feedlot survey

⁸ Please note, in 2015–16 the ABS survey structure changed which removed small farm businesses (estimated value of agricultural operations <\$40,000) from livestock populations. This change has meant some livestock previously included in the survey are now excluded. For the purpose of this report, official ABS data has been used. This figure differs from MLA's *Cattle Projections*, which seeks to estimate herd numbers from all farm businesses.

Over-the-hooks cattle indicators

- The 100 day grainfed steer (300–320kg) over-the-hooks indicator in Queensland averaged 580¢/kg cwt in 2019, 9% higher year-on-year (see Figure 44) (MLA's NLRS).

Figure 44. Queensland 100-day grainfed steer over-the-hooks indicator

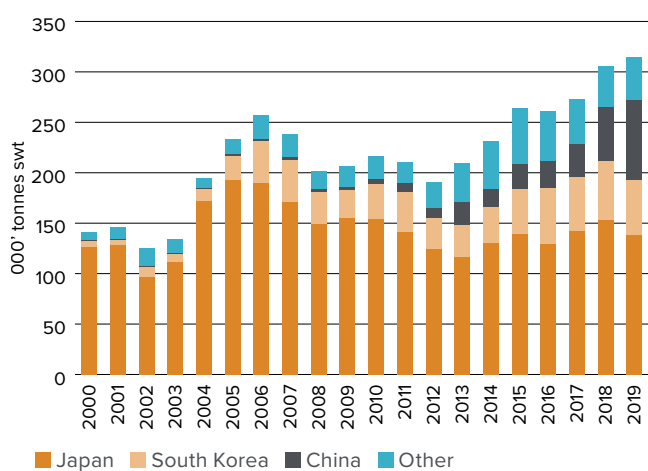


Source: MLA's NLRS

Grainfed beef exports

- In 2019, grainfed beef exports accounted for 28% of Australia's total beef exports, up 2% on the five-year average (DAWE).
- Australia's grainfed beef exports totalled 314,070 tonnes swt in 2019, up 2% from the previous year (see Figure 45) (DAWE).
- Japan continued to be Australia's largest destination (in volume terms) for grainfed beef exports in 2019 (DAWE).
- Japan accounted for 44% of Australia's total grainfed beef exports in 2019, followed by China at 25% and South Korea at 17% (DAWE).
- Compared with the five-year average, grainfed beef exports to Japan in 2019 eased 2%, while exports to Korea increased 10% and exports to China almost tripled (DAWE).

Figure 45. Destinations of Australian grainfed beef exports

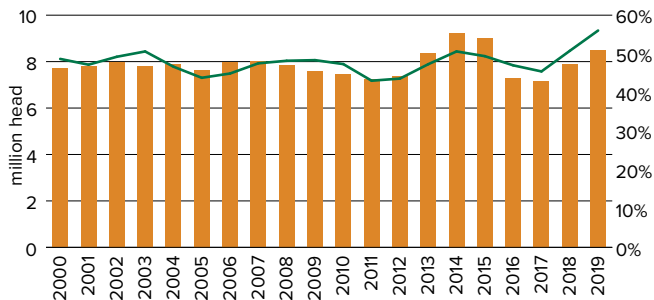


Source: DAWE

Slaughter

- Adult cattle slaughter totalled 8.5 million head in 2019, up 8% year-on-year (see Figure 46) (ABS).
- Female (cow and heifer) slaughter accounted for 56% of total adult cattle slaughter in 2019 (see Figure 46) (ABS).
- In 2019, female slaughter totalled 4.8 million head, 19% above year-ago levels, while male slaughter eased 4% to 3.7 million head (ABS).

Figure 46. Australian adult cattle slaughter

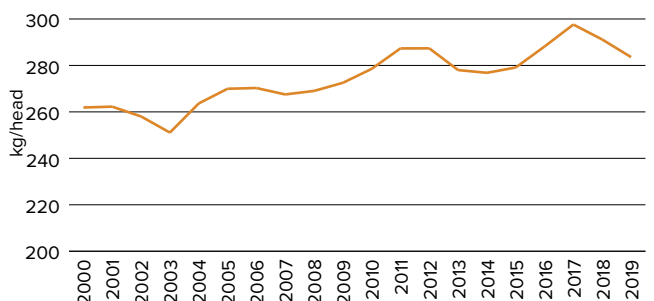


Source: ABS

Carcase weight

- The national average adult carcass weight in 2019 was 284kg/head, back 3% on the previous year (see Figure 47) (ABS).

Figure 47. Australian average adult cattle carcass weight

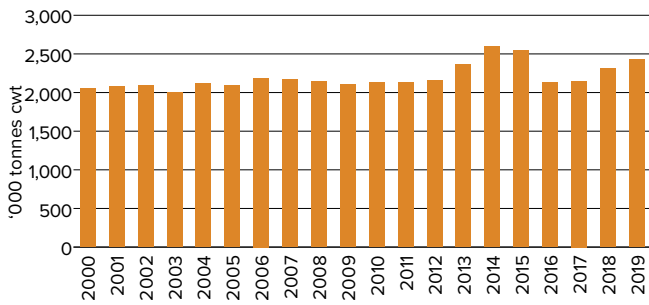


Source: ABS

Production

- In 2019, Australian beef and veal production totalled 2.4 million tonnes cwt, 5% higher year-on-year (see Figure 48) (ABS).
- The volume of beef and veal production increased 5% in 2019 compared to the five-year average (ABS).
- Queensland accounted for 47% of total beef production in 2019, followed by New South Wales (22%), Victoria (20%), Western Australia (5%), South Australia (3%) and Tasmania (3%) (ABS).

Figure 48. Australian beef and veal production

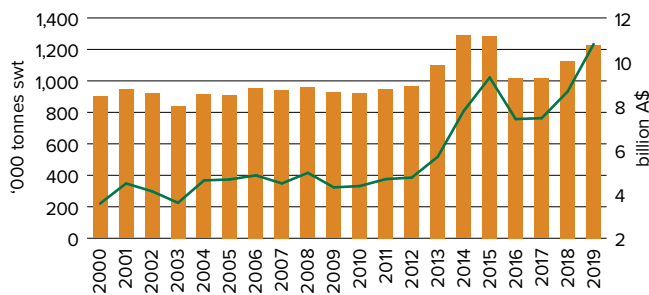


Source: ABS

Beef exports

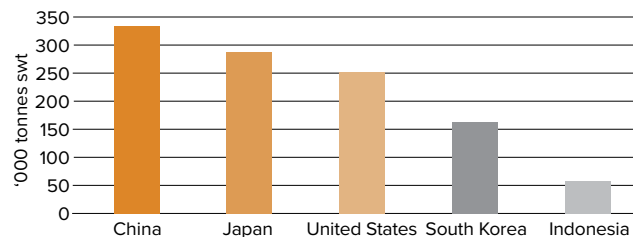
- In 2019, Australian beef exports totalled 1.23 million tonnes swt, up 9% year-on-year (see Figure 49) (DAWE).
- China overtook Japan to be Australia's largest beef export market (in volume terms) in 2019, totalling 333,224 tonnes swt, an increase of 68% from the previous year (see Figure 50) (DAWE).
- China's market share of Australian beef exports in 2019 was 27%, followed by Japan (23%) and the US (22%) (DAWE).
- The value of Australian beef exports was \$10.8 billion in 2019, an increase of 25% year-on-year (see Figure 49) (IHS Markit).

Figure 49. Australian beef and veal export volume and value



Source: DAWE (volume), IHS Markit (value)

Figure 50. Australia's top five beef export markets (2019)

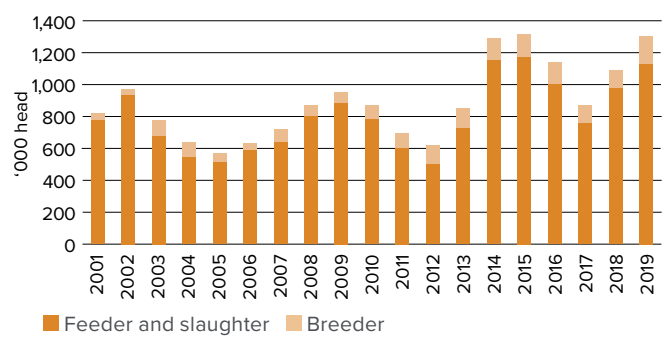


Source: DAWE

Live cattle exports

- Live cattle exports totalled 1.3 million head in 2019, up 20% from 2018 (see Figure 51) (DAWE, ABS).
- In 2019, feeder cattle accounted for 65% of Australia's live cattle exports, followed by slaughter at 21% and breeders at 13% (DAWE, ABS).
- Indonesia was Australia's largest market for live cattle exports in 2019 (52% of total), followed by Vietnam (21%) and China (13%) (DAWE, ABS).

Figure 51. Australian live cattle exports

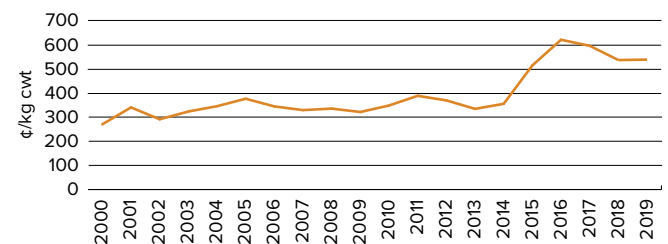


Source: DAWE, ABS

Saleyard prices

- The national trade steer (330–400kg) saleyard indicator remained stable year-on-year to average 538¢/kg cwt in 2019 (see Figure 52), but 3% higher than the five-year average (MLA's NLRs).
- The national heavy steer (500–600kg) saleyard indicator averaged 534¢/kg cwt, 6% higher than the previous year and 10% above the five-year average (MLA's NLRs).
- The national medium cow (400–520kg) saleyard indicator averaged 412¢/kg cwt in 2019, up 2% on year-ago levels and 2% higher than the five-year average.

Figure 52. National trade steer saleyard indicator

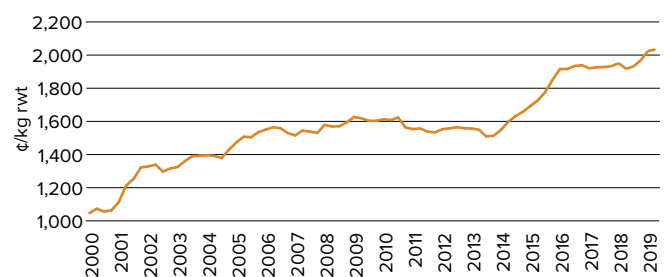


Source: MLA's NLRs

Retail prices

- The national beef retail price indicator averaged 1,989¢/kg rwt⁹ in 2018–19 (see Figure 53), 2% higher year-on-year (ABS, MLA calculations).
- The producer share of the retail dollar was estimated at 38% in 2019, back two percentage points from 40% in 2018 (ABS, MLA calculations).

Figure 53. National beef retail price indicator



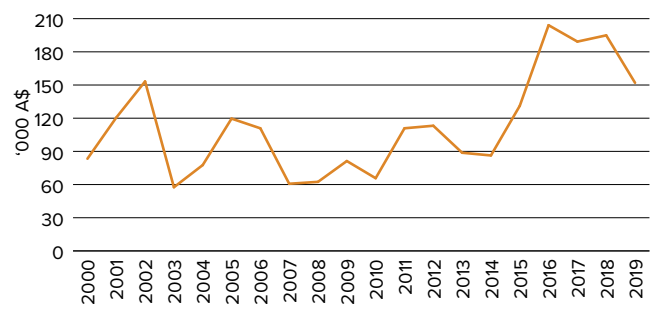
Source: ABS, MLA calculations

⁹ Retail price indicators are estimated by indexing forward from actual average prices of beef, lamb and pork during the December quarter 1973, based on meat sub-category indexes of the consumer price index. These indexes are based on average retail prices of selected cuts (weighted by expenditure) in state capitals.

Farm financial performance

- The impact of the drought is reflected in the farm financial performance of beef producers, with higher input costs and lower returns resulting in reduced cash income for 2018–19.
- The average farm cash income of Australian beef producers¹⁰ was estimated to be \$152,000 in 2018–19, 20% lower year-on-year (in real terms) (see Figure 54) (ABARES Australian Agricultural and Grazing Industries Survey).
- The average rate of return (excluding capital appreciation) of Australian beef cattle farms is forecast to decline from 1.7% in 2017–18 to 0.8% in 2018–19 (ABARES).

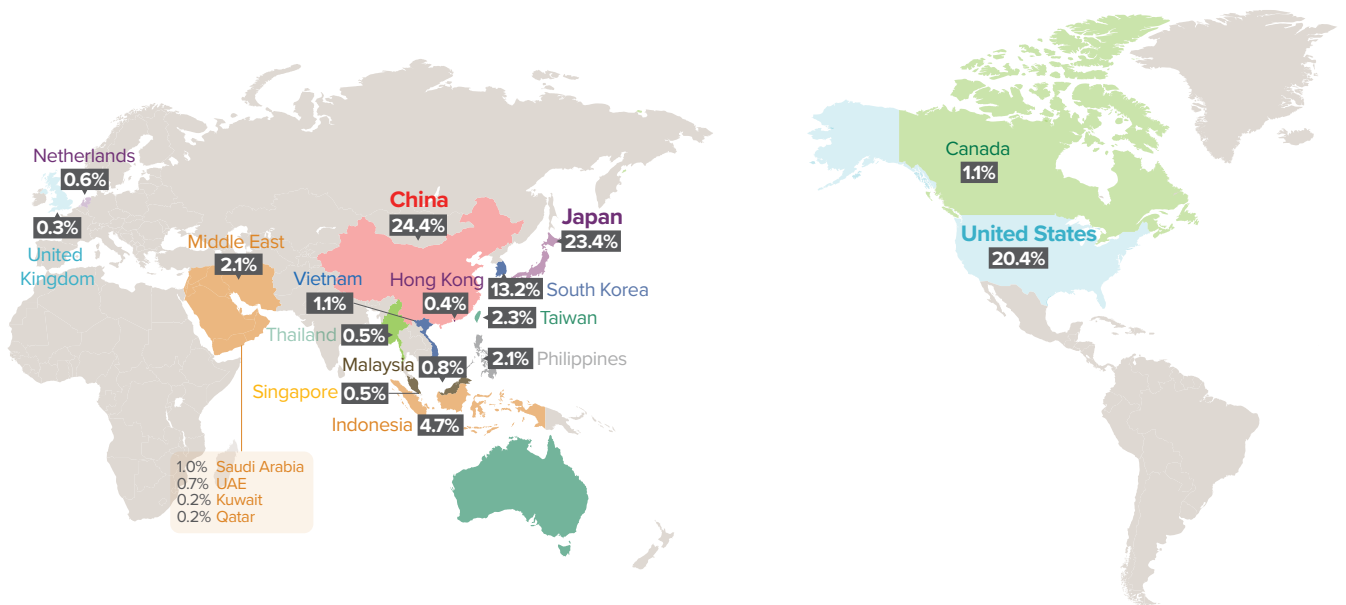
Figure 54. National average beef farm cash income



Source: ABARES
Note: This data is in real terms.

Figure 55. Australian beef exports by volume (2019)

In 2019, Australia's top three beef export destinations (in volume terms) were China (300,133 tonnes swt, or 24.4% of total exports), Japan (287,497 tonnes swt, or 23.4% of total exports) and the US (250,980 tonnes swt, or 20.4% of total exports).



Source: DAWE



¹⁰ The ABARES Australian Agricultural and Grazing Industries Survey includes beef producers with at least 100 head of beef cattle on hand at 30 June.

SHEEP

National sheep flock

- The national sheep flock was 65.76 million head¹¹ at 30 June 2019, a decline of 7% year-on-year (see Figure 56) (ABS).
- The majority of Australia's sheep population were located in New South Wales (34%), Western Australia (22%), Victoria (21%) and South Australia (16%). Tasmania and Queensland accounted for the remaining 4% and 3% respectively (see Figure 57) (ABS).
- Breeding ewes (aged one year and over) accounted for 57% of the national flock, while lambs under one year made up 30% (see Figure 58) (ABS).

Figure 56. Australian sheep flock size by state

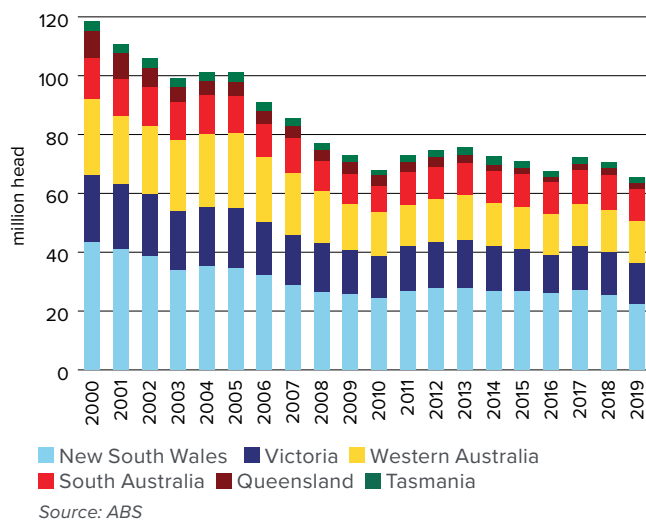


Figure 57. Australian sheep flock by state (2019)

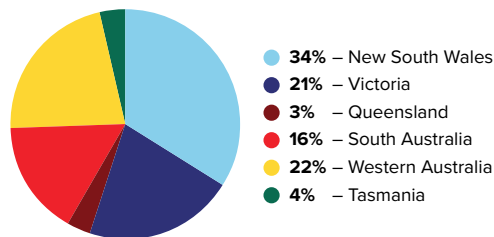
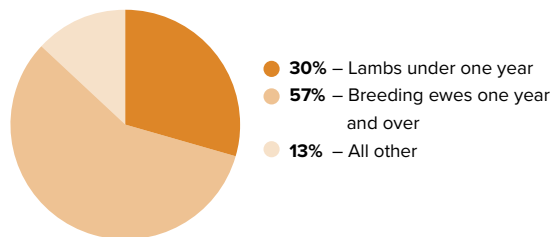


Figure 58. Australian sheep flock composition (2019)

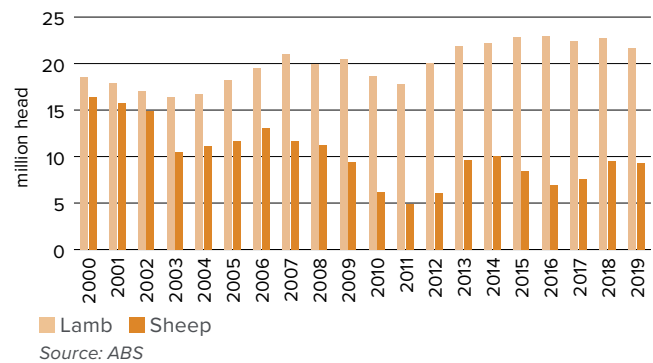


¹¹Please note, in 2015–16 the ABS survey structure changed which removed small farm businesses (estimated value of agricultural operations <\$40,000) from livestock populations. This change has meant some livestock previously included in the survey are now excluded. For the purpose of this report, official ABS data has been used.

Slaughter

- In 2019, national lamb slaughter totalled 21.6 million head, back 5% year-on-year and 4% below the five-year average (see Figure 59) (ABS).
- Sheep slaughter totalled 9.3 million head, back 2% from the previous year but 10% above the five-year average (see Figure 59) (ABS).

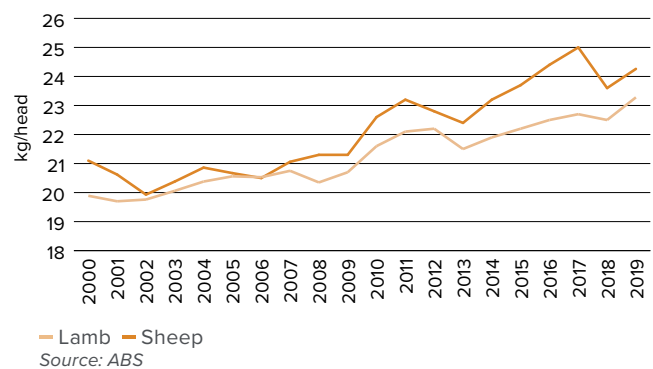
Figure 59. Australian sheep and lamb slaughter



Carcase weights

- The national lamb carcase weight averaged 23kg/head in 2019 (see Figure 60), up 4% year-on-year and 3% higher than the five-year average (ABS).
- Sheep carcase weights increased 3% from 2018 to 24kg/head (see Figure 60), steady with the five-year average (ABS).

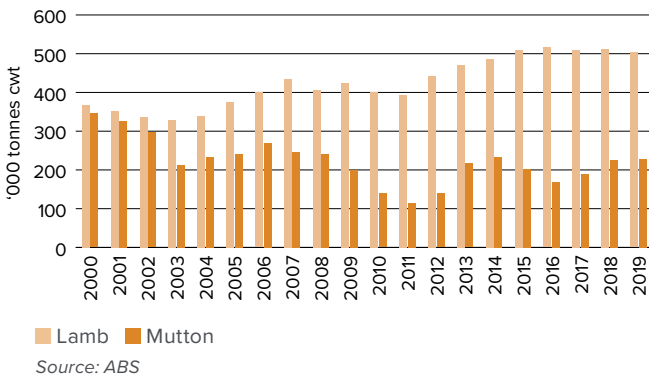
Figure 60. Australian average sheep and lamb carcase weights



Production

- In 2019, lamb production in Australia totalled 503,146 tonnes cwt (see Figure 61), 2% below year-ago levels and steady with the five-year average (ABS).
- Mutton production remained stable year-on-year, totalling 228,135 tonnes cwt (see Figure 61), 12% higher than the five-year average (ABS).
- Total sheepmeat production (lamb and mutton) was 731,281 tonnes cwt in 2019, just below year-ago levels, yet 3% above the five-year average (ABS).

Figure 61. Australian sheepmeat production



Sheepmeat exports

- In 2019, Australian lamb exports totalled 281,518 tonnes swt, up 5% year-on-year and 14% above the five-year average (see Figure 62) (ABS).
- China overtook the US in 2019 to be Australia's largest lamb export destination (in volume terms), at 71,223 tonnes swt, followed by the US at 58,519 tonnes swt (see Figure 63) (DAWE).
- The UAE continues to grow as an export destination for lamb, with 20,756 tonnes swt exported in 2019, making it the third largest export destination for Australian lamb.
- Australian mutton exports were 183,833 tonnes swt in 2019, 2% higher year-on-year and up 16% on the five-year average (see Figure 62) (DAWE).
- Mutton exports to China (in volume terms) surged 48% year-on-year, to 81,460 tonnes swt (see Figure 64) (DAWE).
- The other key export destinations for Australian mutton were the US (17,721 tonnes swt) and Malaysia (17,217 tonnes swt) (see Figure 64) (DAWE).
- The value of Australian sheepmeat (lamb and mutton) exports in 2019 was \$4.1 billion, up 14% from the previous year (see Figure 62) (IHS Markit).

Figure 62. Australian sheepmeat export volume and value

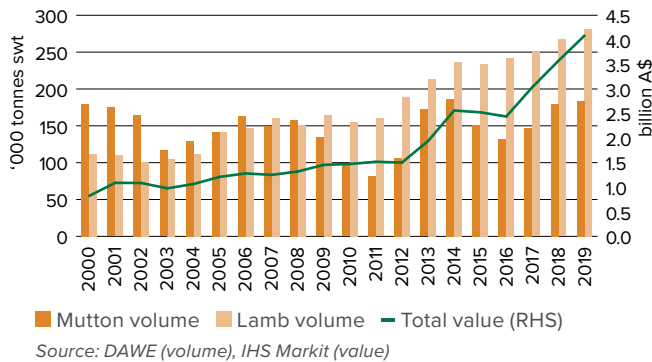


Figure 63. Australia's top five lamb export markets (2019)

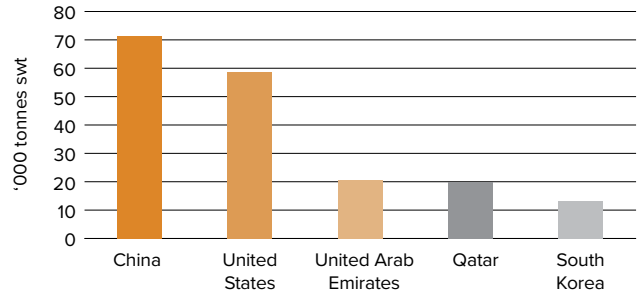
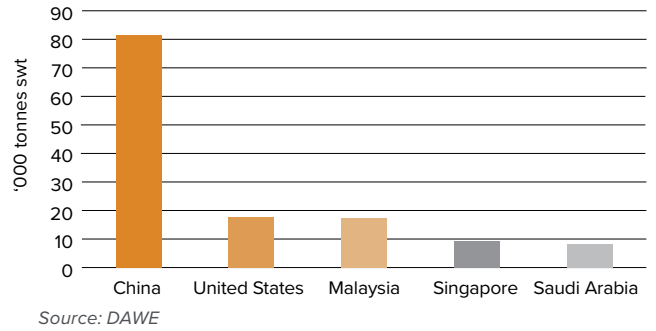


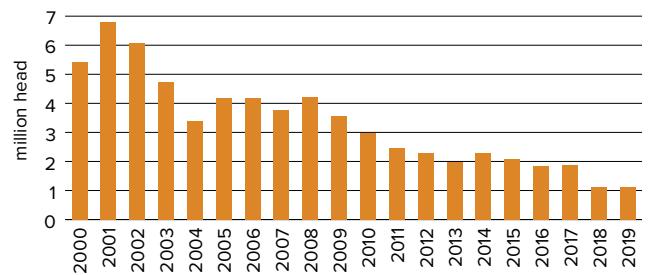
Figure 64. Australia's top five mutton export markets (2019)



Live sheep exports

- In 2019, Australian live sheep exports totalled 1.1 million head, steady year-on-year (see Figure 65) (ABS, DAWE).
- Kuwait overtook Qatar to be Australia's largest destination for live sheep exports in 2019, accounting for 34% and 30% of exports, respectively, followed by Jordan at 17% (DAWE).

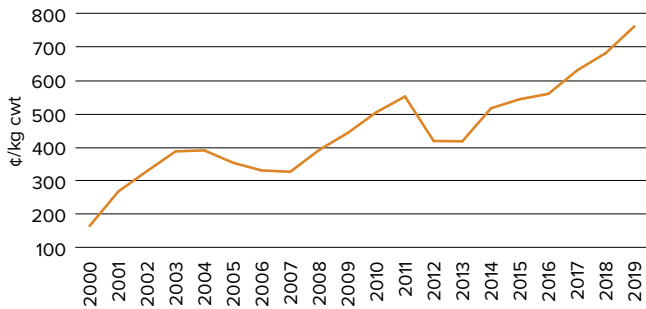
Figure 65. Australian live sheep exports



Saleyard prices

- The national trade lamb (18–22kg) saleyard indicator averaged 761¢/kg cwt in 2019 (see Figure 66), 12% above the previous year and 30% higher than the five-year average (MLA's NLRS).
- In 2019, the national mutton (18–24kg) saleyard indicator increased 17% year-on-year to 517¢/kg cwt, 36% above the five-year average (MLA's NLRS).

Figure 66. National trade lamb saleyard indicator

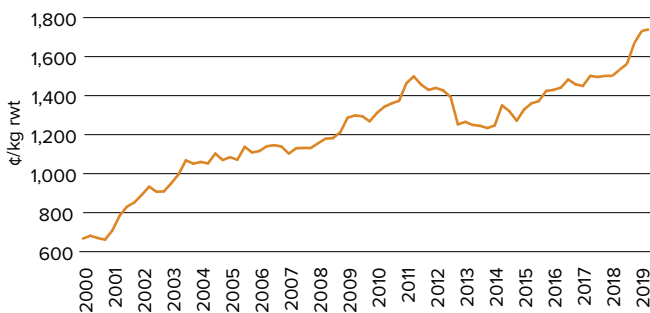


Source: MLA's NLRS

Retail prices

- The average lamb retail price indicator was estimated at 1,676¢/kg rwt¹² in 2018–19, up 11% year-on-year (see Figure 67) (ABS, MLA calculations).
- The lamb producer share of the retail dollar was estimated at 62% in 2019, in line with 2018 (ABS, MLA calculations).

Figure 67. National lamb retail price indicator

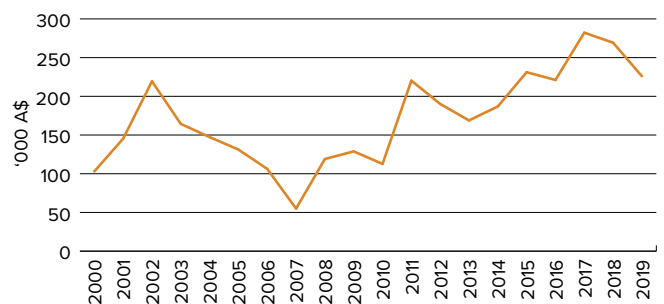


Source: ABS, MLA calculations

Farm financial performance

- The average farm cash income of Australian slaughter lamb producers¹³ was estimated at \$226,000 in 2018–19, a 14% decline year-on-year (in real terms) (see Figure 68) (ABARES Australian Agricultural and Grazing Industries Survey).
- In 2018–19, average farm business profit was estimated at \$63,000, back 33% from 2017–18 (ABARES).
- The average rate of return (excluding capital appreciation) of Australian lamb producing farms is forecast to decline from 2.4% in 2017–18 to 1.8% in 2018–19 (ABARES).
- The decline in farm financial performance in recent years is a result of the ongoing drought, with the costs of feed and other inputs outweighing the price of returns.

Figure 68. National average lamb farm cash income

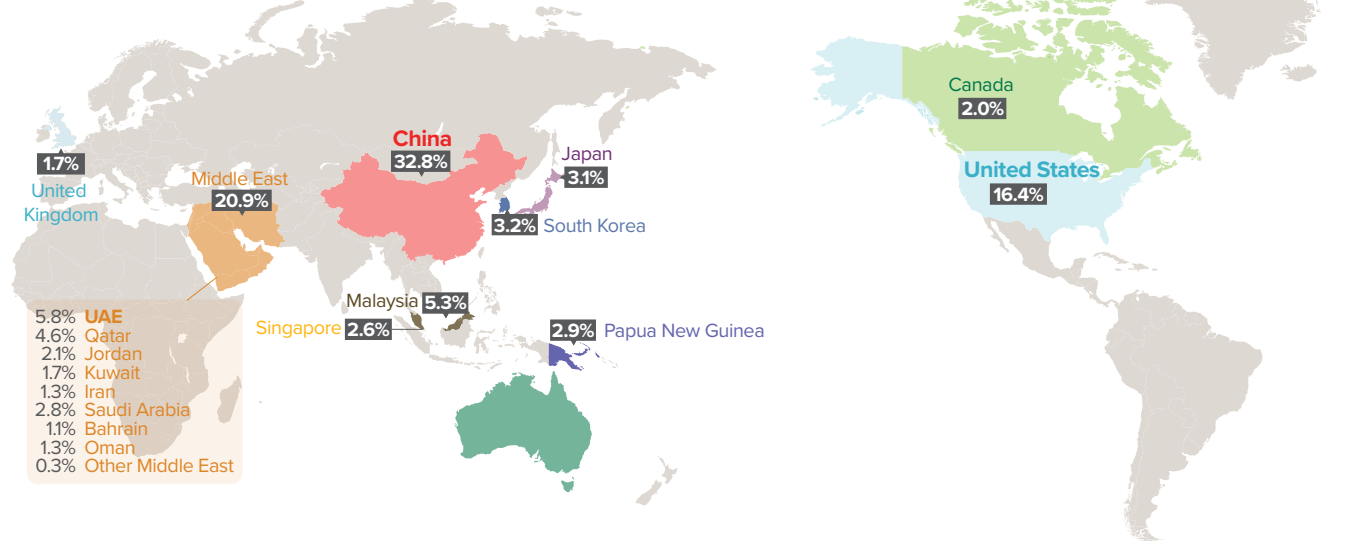


Source: ABARES

Note: This data is in real terms.

Figure 69. Australian sheepmeat exports by volume (2019)

In 2019, Australia's top three sheepmeat (lamb and mutton) export destinations (in volume terms) were China (152,683 tonnes swt, or 32.8% of total exports), the US (76,240 tonnes swt, or 16.4% of total exports) and UAE (26,913 tonnes swt, or 5.8% of total exports).



Source: DAWE

¹² Retail price indicators are estimated by indexing forward from actual average prices of beef, lamb and pork during the December quarter 1973, based on meat sub-category indexes of the consumer price index. These indexes are based on average retail prices of selected cuts (weighted by expenditure) in state capitals.

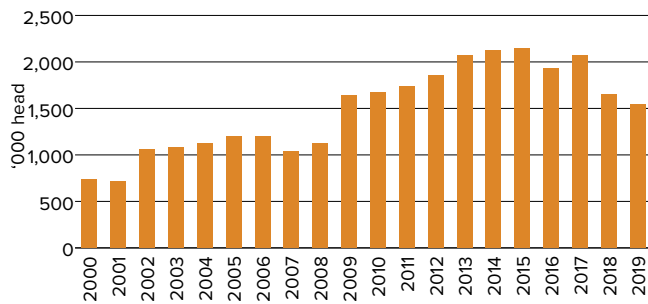
¹³ The ABARES Australian Agricultural and Grazing Industries Survey includes producers that sold at least 200 lambs for slaughter.

■ GOAT

Slaughter

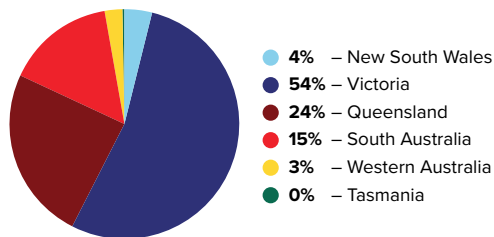
- Australian goat slaughter totalled 1.5 million head (see Figure 70) in 2019, back 7% year-on-year and 17% below the five-year average (ABS).
- In 2019, goat slaughter in Victoria eased 7% to 825,416 head, Queensland fell 12% (377,634 head), South Australia increased 4% (234,064 head), New South Wales declined 8% (62,841 head) and Western Australia surged 20% to 41,962 head (see Figure 71) (ABS).

Figure 70. Australian goat slaughter



Source: ABS

Figure 71. Australian goat slaughter by state (2019)



Source: ABS

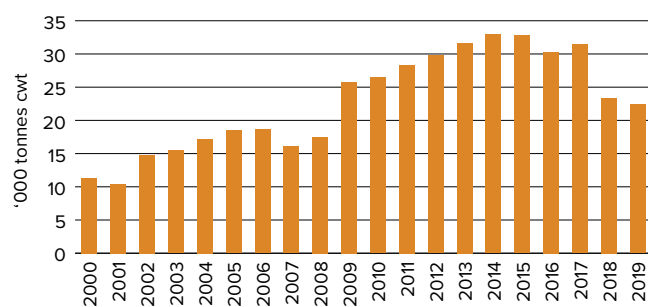
Carcase weights

- Australian goat carcase weights averaged 14.7kg/head in 2019, up 3% from the previous year (ABS).

Production

- Goatmeat production eased 4% to 22,381 tonnes cwt in 2019 (see Figure 72), 20% below the five-year average (ABS).

Figure 72. Australian goatmeat production

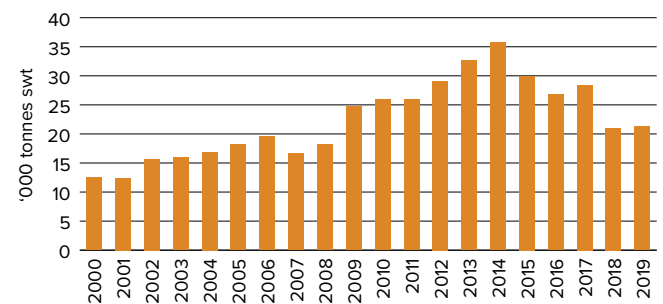


Source: ABS

Goatmeat exports

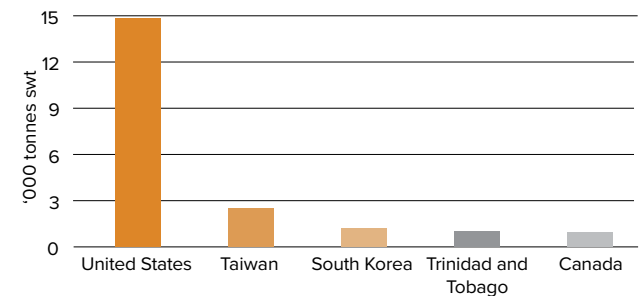
- Australian goatmeat exports totalled 21,248 tonnes swt in 2019, steady with a year earlier (see Figure 73) (DAWE).
- The US remains the largest destination for goatmeat, accounting for 70% of exports at 14,859 tonnes swt (see Figure 74) (DAWE).
- Taiwan was Australia's second largest export market for goatmeat at 2,478 tonnes swt (12% of total) and South Korea at 1,214 tonnes swt (6% of total) (DAWE).

Figure 73. Australian goatmeat export volumes



Source: DAWE

Figure 74. Australia's top five goatmeat export markets (2019)



Source: DAWE

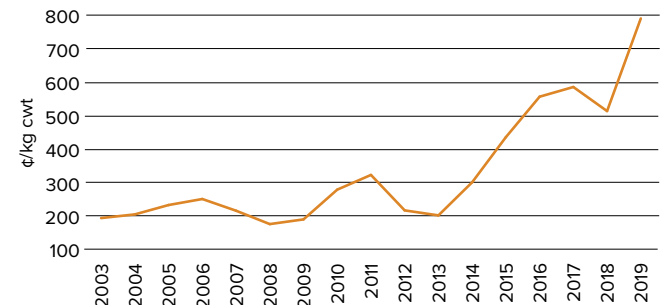
Live goat exports

- In 2019, Australian live goat exports eased 26% year-on-year to 16,059 head, with Malaysia and Indonesia continuing to be key export markets (DAWE, ABS).

Over-the-hooks indicators

- Goat over-the-hooks (12–16kg) indicators averaged 790¢/kg cwt in 2019, an increase of 65% from the previous year (see Figure 75) (MLA's NLRS).

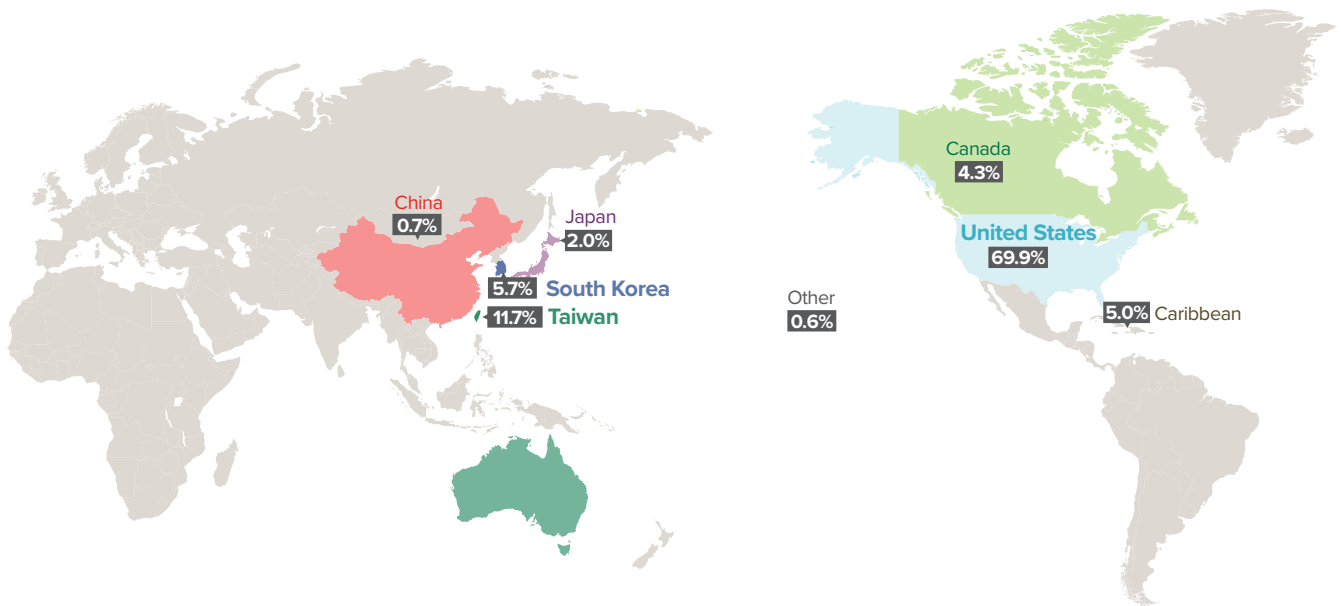
Figure 75. Eastern states over-the-hooks goat indicator (12-16kg)



Source: MLA's NLRS

Figure 76. Australian goatmeat exports by volume (2019)

In 2019, Australia's top three goatmeat export destinations (in volume terms) were the US (14,859 tonnes swt, or 69.9% of total exports), Taiwan (2,478 tonnes swt, or 11.7% of total exports), and South Korea (1,214 tonnes swt, or 5.7% of total exports).



Source: DAWE

■ ALTERNATIVE PROTEINS

- Global protein demand for consumption has increased by 40% since 2000; 50% of this demand is from Asia.
- In 2018, global per capita consumption of protein was 26kg, projected to be 33kg (+27%) by 2025.
- Currently, meat-based proteins supply 66% of global consumption needs.
- In Australia, plant-based protein alternatives have not reached scale. According to Nielsen Homescan, plant-based protein consumption has only reached 0.3% of fresh meat volume sales and 0.4% of value sales (Nielsen Homescan, 52 weeks to 17 May 2020).
- Allied Market Research predicts the global meat substitute market will reach a value of \$5.2 billion by 2020. However, these products are not immune from consumer concerns: they contrast strongly with general consumer preferences for natural, unadulterated and fresh food in the developed world, and increasing meat consumption in developing nations in line with increasing wealth.



Key issues snapshots

■ HOW HAVE NATURAL DISASTERS IMPACTED THE RED MEAT INDUSTRY?

Key points

- 2019 was officially classified as the hottest and driest year on record in Australia by the Bureau of Meteorology (BOM).
- The harshness and prolonged nature of the drought further compounded the impact of extreme flooding and the bushfire crisis.
- The red meat supply chain played a critical role during the COVID-19 pandemic in feeding global consumers, following its classification as an 'essential' service.

The red meat industry is well accustomed to challenges presented by natural disasters. However, the frequency, severity and widespread nature of recent events have intensified and will have longstanding effects across the red meat supply chain.

Impact of bushfires

The 2019–20 Australian bushfire season, which peaked during December–January, caused catastrophic damage to approximately 13 million hectares of national parks, conservation and grazing land. The bushfires devastated rural and coastal communities, destroyed wildlife populations, created socio-economic pressures and resulted in the loss of life.

It is estimated that less than 1% of Australia's grazing land was affected. In terms of livestock losses, it is estimated up to 80,000 head of sheep and 15,000 head of cattle were lost as a result of the fires. This represents under 0.1% of the national herd and flock. The recovery and rebuild in the affected regions will take time, as producers and communities work to restore damaged infrastructure and livestock numbers.

Impact of drought

Many cattle and sheep producers were forced to destock in 2019 as drought conditions intensified. For cattle, the scale of destocking was reflected in a record high percentage of female slaughter, which on a 12-month rolling average reached 56%, seven percentage points higher than the five-year average. For sheep producers, a large number of breeding ewes were not joined or were simply turned off, given the extreme rainfall deficiencies, particularly in New South Wales.

In 2019:

- adult cattle slaughter increased 8% year-on-year, to 8.5 million head
- lamb slaughter fell 5% year-on-year, to 21.6 million head
- sheep slaughter fell 2% year-on-year, to 9.3 million head.

As a result, the national cattle herd is set to drop to its lowest level in more than two decades and the national sheep flock is forecast to fall to its lowest point in more than a century.

In 2019–20:

- the national beef herd is forecast to decline 5.2% to 24.8 million head
- the national sheep flock is forecast to decline 3.5% to 63.5 million head.

Impact of COVID-19

Evaluating the scale of impact COVID-19 will have on the Australian red meat supply chain is difficult. The extent of the disruption has been unprecedented on a global scale. However, the classification of the red meat supply chain as an essential service during the pandemic highlights the critical status of the industry as a provider of nutritious, delicious protein to global consumers.



■ WHAT ARE AUSTRALIAN CONSUMERS' DRIVERS AND BARRIERS TO PURCHASING RED MEAT?

Key points

- The majority of households across Australia enjoy fresh beef and lamb.
- Freshness, price and ease of preparation are key factors influencing consumers' purchasing decisions for red meat.
- Most Australian households state there is no change in their levels of red meat consumption.

Profile of red meat consumers

Beef and lamb are popular proteins among Australian consumers. In the past year, 94% of Australian households purchased fresh beef and 75% purchased fresh lamb (Nielsen Homescan, 52 weeks to 03/11/2019).

With the majority of households across Australia consuming red meat, the profile of these consumers is similar to an average supermarket shopper. Around half of red meat consumers are older couples aged 35+ with no children in the household. Young families (households with young children under the age of six) and affluent consumers are key groups who are increasing the volume of red meat they consume.

Attitudes towards red meat




Consumers perceive beef to be a protein that is versatile and suitable for everyday meals. Two thirds of consumers agree that beef 'can be used in a variety of meals', and 57% agree that beef is 'suitable for everyday meals' (MLA Domestic Consumer Tracker).

Lamb is perceived by consumers as a meat which is full of flavor and good for sharing: 55% of consumers agree that lamb is 'full of flavour', 47% agree that lamb is 'perfect for special occasions' and 49% agree that lamb is 'good for sharing' (MLA Domestic Consumer Tracker).

Purchasing drivers and barriers

A range of different factors influence consumers' purchasing decisions for red meat. More functional aspects of the product such as how fresh the meat looked, the price per kg and ease/speed of preparation are the key factors which influence consumers' purchasing decisions (MLA Shopper Research, 2019). While sustainability and animal welfare considerations are increasingly important for some consumers, these are not typically top of mind in the purchasing decision.

Table 5: Purchase consideration factors (top five) – fresh meat – Australian consumers

Rank	Fresh meat 	Beef 	Lamb 
First	How fresh it looked	How fresh it looked	How fresh it looked
Second	Value/\$ per kg	Value/\$ per kg	Value/\$ per kg
Third	Quick/easy to prepare	Quick/easy to prepare	How many it will serve
Fourth	How many it will serve	Doesn't look fatty	Quick/easy to prepare
Fifth	Doesn't look fatty	How many it will serve	Doesn't look fatty

Source: MLA Shopper Research



■ WHAT IS THE ROLE OF CATTLE EXPORTS IN NORTHERN AUSTRALIA'S BEEF INDUSTRY AND SOUTH-EAST ASIA'S CONSUMER MARKETS?

Key points

- Australian cattle exports play an important role in providing nutrition in markets with a strong preference for fresh meat, especially where inadequate cold chains, prohibitive costs or cultural preferences limit adoption of a chilled or frozen boxed beef trade.
- Australia is the only major exporting nation to require in-market traceability, control and animal welfare standards for Australian live cattle, sheep and goat exports.
- Access to live export channels underpins the viability of Australia's remote northern beef industry.

In 2019, Australia exported 1.3 million cattle to 20 countries, mostly in South-East Asia. Australian cattle exports are important in markets that prefer locally processed animals due to a strong reliance on traditional fresh meat sales channels or due to cultural and religious reasons.

The relationship between Australia's northern beef industry and South-East Asia underpins Australia's live cattle trade. Distance (Darwin is closer to Jakarta than Brisbane) and the high cost of processing cattle in Australia's remote north leaves few viable alternatives to live export when marketing cattle. In 2018–19, cattle exports accounted for an estimated 39% and 63% of turnoff in the Pilbara and Kimberley, respectively, and 59% and 94% of turnoff in the Victoria River District and the Top End/Northern Territory Gulf. Many northern pastoral systems are ideal for producing weaner calves – in fact, large economies of scale make such systems among the most efficient breeding operations in the world. However, seasonal rainfall and a limited pasture growth window collectively make finishing cattle largely unfeasible in the Northern Territory, Kimberley and Pilbara.

Meanwhile, South-East Asia is one of the fastest emerging consumer markets in the world with growing nutritional needs. Indonesia (Australia's largest cattle export market) in particular has a well-established feedlot sector using local crop by-products. Australian cattle play a critical role in supplementing Indonesia's nutritional needs, contributing approximately 20% towards the country's total beef supply. The feedlot sector employs around 30,000 people directly. More than 700,000 people are involved in transportation, feed, abattoirs, wholesale, manufacturing sectors. With half of the people under the age of 30, the sector has also created opportunities for employment, research and technology development, and generated ongoing investment into human resource capabilities.

Beef from Australian cattle is traditionally sold in the vast array of wet markets across Indonesia. However, as the

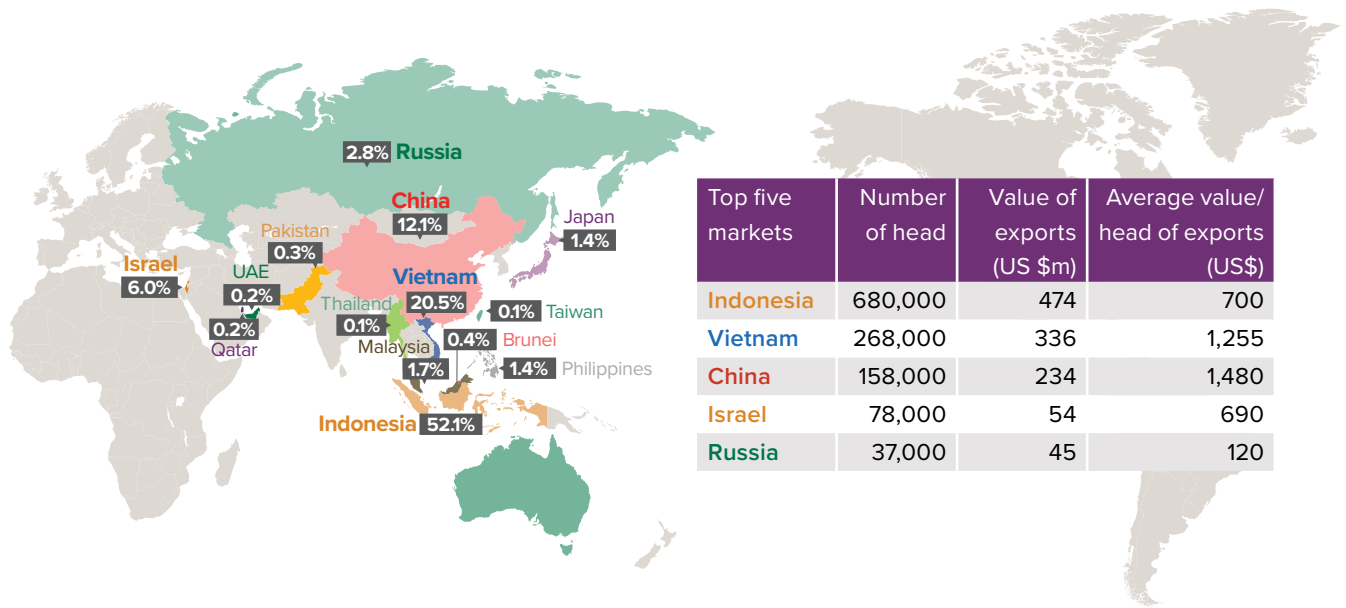
country modernises and the needs of consumers evolve, some of this beef is now becoming available in modern retail and specialty butcher shops.

Vietnam is Australia's second largest export market, taking a combination of feeder and slaughter cattle. Vietnam is a rapidly evolving market with a well-connected and increasingly wealthy young consumer base driving beef demand. The trade is underpinned by a stable Vietnamese Government which is supportive of the positive impact Australian cattle are having on the industry in Vietnam.

Australian livestock export regulations have helped develop animal welfare improvements in destination markets. Australia's ability to supply livestock in the future will largely hinge on the regulatory environment and the trade's ability to remain internationally competitive. If Australian livestock exports were to cease, animals from other countries (with lower welfare standards) and frozen meat would most likely largely fill the void.



Figure 77. Australian live cattle exports (2019)



Source: DAWE

Figure 78. Australian live cattle exports (five-year average)



Source: DAWE



■ AUSTRALIA IS VERY MUCH EXPOSED TO THE HEALTH OF THE GLOBAL ECONOMY. HOW DO WE ALLEVIATE ECONOMIC RISK AND CONTINUE TO DRIVE THE VALUE OF RED MEAT EXPORTS?

Key points

- Australia has a key role within global export markets, exporting more than 1.7 million tonnes swt of red meat in 2019.
- Ongoing diversification of export destinations enables Australia to maximise returns and help mitigate risk.
- Reducing economic and trade barriers will ensure the longevity of the export industry, simultaneously driving value growth by reducing supply chain costs.

Australia is a relatively small producer of red meat, but plays a big role in global export markets. Of the 9 million tonnes of red meat (swt) traded globally in 2019, 22% originated from Australia. Australia’s high proportion of exports relative to total production means that Australia is more exposed to the health of the global economy than many major competitors.

The total value of Australian red meat and livestock exports grew 21% for the calendar year of 2019, to \$18 billion. Favourable exchange rates, high levels of Australian stock turnoff and strong international demand were all complementary factors which drove this growth, leading Australia to be the world’s most valuable red meat exporter (in US\$ terms) in 2019. However, with multiple headwinds, such as the COVID-19 led economic downturn, reducing domestic production as producers seek to rebuild depleted herds and flocks and a growing level of international competition, considering how to continue building value is essential.

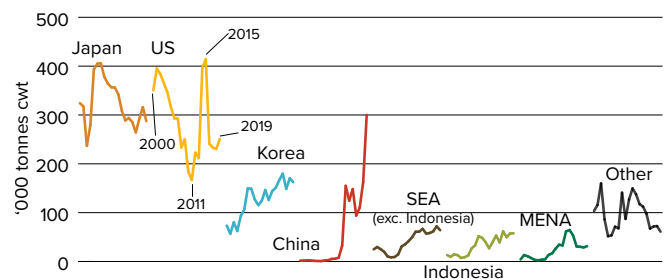
Global trade uncertainties, changes in government policies and other restrictive measures can all have a major impact on Australian exports. Australia helps mitigate economic risk by ensuring a diverse portfolio of market destinations, rather than a reliance on just one or two key destinations. This diversification promotes competition among export markets, allowing Australian exporters to negotiate the best price for their products, while also allowing Australia to respond to specific surges in demand, such as the boom from China in 2019. Diversification of access across markets also enables Australia to have a larger consumer base in which to better target its products, helping ensure the right product goes to the right consumer. With COVID-19 initiating unexpected supply disruptions and economic difficulties in 2020, having and maintaining this diversity will help support a certain level of export stability and price competition.

While fostering new trade relationships is important, nurturing and developing existing ones is equally critical. Relative to global competitors, Australia’s high on-farm costs are compounded by additional expenses in the

supply chain. In partnership with the Australian Government, the Australian red meat and livestock industry will continue to pursue priority trade barriers in order to remove costs from the supply chain and gain better access to consumers around the globe.

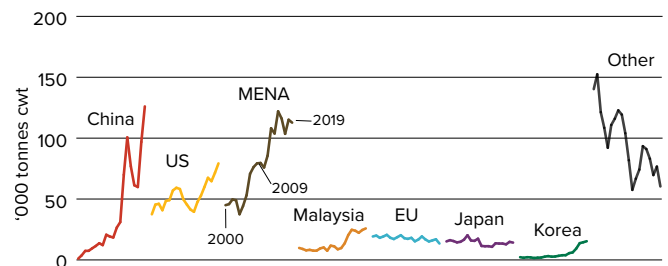
Growing production and exports from key competitors, particularly the US and Brazil within beef, will intensify competition in coming years. However, growing consumer interest and awareness of product quality, provenance, sustainability, animal welfare, food safety and traceability provide messaging opportunities for Australian red meat and underpin ambitious industry-wide programs for Australia to differentiate itself.

Figure 79: Australian beef exports (2000–2019). Traditional major destinations, Japan and the US, have been challenged by relative newcomer China



Source: DAWE

Figure 80: Australian sheepmeat exports (2000–2019). China has rapidly become a major market destination, surpassing the US and Middle Eastern destinations



Source: DAWE

Other is largely comprised of South Africa, Russia, Singapore, Mexico and PNG

■ WHAT IS AUSTRALIA'S CURRENT MARKET ACCESS POSITION GLOBALLY?

Key points

- For the Australian red meat industry, trade liberalisation has, and continues to be, extremely crucial.
- Being able to access multiple markets unhindered (by tariffs/taxes) has enabled the industry to focus on growing markets offshore – with consumers increasing their demand for Australian product (where they chose to do so) as they were not burdened by additional costs.
- It also significantly improved the red meat sector's international competitiveness and importantly helped maximise the value of red meat products and overall export returns.

The trifecta of free trade agreements (FTAs) with South Korea, Japan and China has delivered enormous gains in market access for Australian red meat this decade.

The agreement with Korea came into force in late 2014, and with Japan and China just after in 2015. These three FTAs are estimated to be worth \$20 billion to the Australian red meat industry over 20 years. The China-Australia deal (ChAFTA) alone has underpinned beef prices by an estimated 8c/kg and sheepmeat prices by 13c/kg to 26c/kg.

The 11-nation Comprehensive and Progressive Trans Pacific Partnership (CPTPP), which entered into force in late 2018, delivered additional benefits in key export markets and created new export opportunities. The largest trade reform agreement of its kind and the result of many years of negotiations, the deal provides for eventual free access for Australian red meat into Canada and Mexico where Australia did not have existing bilateral free trade agreements, along with further tariff reductions (beyond the Japan-Australia Economic Partnership Agreement) for Australian beef entering Japan.

More recently, free trade agreements have entered into force with Indonesia, Hong Kong and Peru in early 2020. The benefits of ratifying the Indonesian agreement and securing more trade certainty with this key live cattle and beef export market are significant – particularly at a time of global trade disruption and intensifying competition.

While FTAs are a useful mechanism to address tariffs and quotas, equal attention must be given to the alleviation of non-tariff barriers. For example, while all tariffs applied by China to Australian red meat imports will be eliminated under ChAFTA, the agreement is not realising its full potential – as only a limited number of export establishments are eligible to supply China and access for chilled product remains restricted. Alleviation of these non-tariff constraints remains an industry priority. In the Middle East, concerted effort is also being given to shelf-life restrictions, which negatively impact higher valued vacuum-packed chilled product.

Table 6: FTA benefits: selected beef markets

Market (FTA)	Quota / tariff prior to FTA	2020 tariff	Final FTA outcome
Canada (CPTPP)	35,000t TRQ 0% in-quota; 26.4% above	13.2%	0% (2023)
Chile (A-CFTA)	6%	0%	0%
China (ChAFTA)	12%	4.8%	0% (2024)
European Union (A-EU FTA)	7,150t TRQ 20% in-quota; 12.8% + 3€/100kg above	No change	A-EUFTA negotiations in progress
Indonesia (IA-CEPA)	5%	0–2.5%	0% (2023)
Japan (JAEPA / CPTPP)	38.5%	25.8%	9% (2033)
Korea (KAFTA)	40%	21.3%	0% (2028)
Mexico (CPTPP)	20–25%	14–18%	0% (2027)
Peru (PAFTA)	11–17%	8.8%	0% (2024)
Thailand (TAFTA)	50%	0%	0%
USA (AUSFTA)	378,214t TRQ @4.4US¢/kg; 26.4% above	433,214t TRQ @0%; 7.04%	0% (2022)

Table 7: FTA benefits: selected sheepmeat markets

Market / FTA	Tariff prior to FTA	2020 tariff	Final FTA outcome
China (ChAFTA)	15%	5%	0% (2023)
European Union (A-EU FTA)	19,186t TRQ 0% in-quota; 12.8% + 3€/100kg above	No change	A-EUFTA negotiations in progress
Gulf Co-operation Council (GCC)	0–5%	No change	A-GCC negotiations stalled
India (RCEP)	30%	No change	India decided against signing onto RCEP
Korea (KAFTA)	22.5%	6.7%	0% (2023)
Mexico (CPTPP)	8%	6.2%	0% (2025)
Peru (PAFTA)	9%	0%	-
Thailand (TAFTA)	32%	0%	-
USA (AUSFTA)	US0.7c/kg – US2.8c/kg	0%	-

■ HOW WILL AN AUSTRALIA-EU FREE TRADE AGREEMENT BENEFIT THE AUSTRALIAN RED MEAT INDUSTRY?

Key points

- The European Union (EU) is home to a large pool of diverse consumers who enjoy red meat products – with domestic supplies complemented by an ongoing imported requirement.
- These imports are managed by small volume tariff rate quotas (TRQs) and high above quota tariffs.
- Australia's country specific access is severely limited by this regime, with the Australian industry, in partnership with the Australian Government, focused on securing a substantial improvement in access via the Australia-EU FTA negotiations.

Australian red meat producers have a long established trading relationship with the EU. European customers value Australian high quality red meat and the Australian industry has developed supply chains to meet specific EU customer requirements.

The Australia-EU Free Trade Agreement negotiations, launched in July 2018, provide an opportunity to negotiate access to a market that has not seen significant import reform in over forty years. This provides the Australian industry with an unprecedented opportunity to negotiate an updated trading regime that will deliver for European customers and the Australian red meat industry for decades to come.

To date, there have been six rounds of negotiations, with further rounds scheduled throughout 2020. Both Australian and EU negotiators have articulated their ambition to conclude a comprehensive deal. While the discussions are reported to be progressing well, a number of EU classified 'sensitive' products (including beef and sheepmeat) are yet to be considered. Consistent with its approach toward other FTA partners, the EU has identified the protection of geographical indications (GIs) as one of its key objectives in the negotiations. A GI is essentially a name used on a product that has a specific geographical origin, and possesses qualities or a reputation that are due to that origin. 'Champagne' is a well-known example of a GI.

In parallel to A-EU FTA negotiations is the commencement of the Australia-United Kingdom Free Trade Agreement (A-UK FTA), which can proceed following the UK's 'exit' from the EU. This concurrent negotiating process will allow the Australian industry to potentially reshape its access to the UK market.





■ WHAT IS THE LATEST NEWS ON THE SUSTAINABILITY FRAMEWORKS?

Key points

- The *Australian Beef Sustainability Framework 2020 Annual Update* includes industry highlights across the four key themes.
- The *Annual Update* outlines how the beef industry is progressing on indicators that were developed through extensive consultation with industry and external stakeholders over 2016–17.
- The *Sheep Sustainability Framework* is underway and is expected to be launched by October 2020.

The **Australian Beef Sustainability Framework (ABSF)** was developed by the Australian beef industry and its wide range of stakeholders. At its heart, the ABSF defines sustainable beef production and tracks performance over a series of indicators annually. The framework is structured around four key themes, and the *2020 Annual Update* showcases data for and progress in these themes over a number of performance indicators.

In terms of **economic resilience**, framework highlights include:

- Australia was the world's most valuable beef exporter in 2019, generating A\$10.8 billion.
- The implementation of Producer Demonstration Sites suggest the learnings can increase profitability of the red meat supply chain by at least 10%.
- There was a 5.3% rate of return to total capital for beef farms in 2015–2019, up from 3.4% over the 2013–2017 period.

The **people and community** results show that Australia continues to enjoy a world-leading food safety record. Further, the promotion of antimicrobial stewardship plans have been effective, with 59% of feedlots implementing these plans, up from 39%.

Progress in **animal welfare** indicators include: an increase of Australian cattle properties covered by a documented biosecurity plan has increased to 90%, up from 25% in the *2019 Annual Update*, the continuation of Australia being declared free from exotic diseases; and pain relief use up from 15% to 21% of the herd.

The **environmental stewardship** pillar has achieved some notable progress such as a 56.7% reduction in beef CO₂ emissions from 2005 and the overall reduction of water used per tonne of liveweight for raising cattle.

The *Annual Update* identifies key challenges for the industry such as extreme climate events, global pandemics leading to market volatility, and the importance of effective biosecurity measures in the emergence of the African Swine Fever in international markets.

What about sheep?

The **Sheep Sustainability Framework (SSF)** is being led by Sheep Producers Australia and Wool Producers Australia, with Australian Wool Innovation and MLA providing strategic and secretariat support. A steering group has been formed to identify priority issues related to Australian sheepmeat and wool production. The framework has completed the first stage of consultation and will soon be gathering further input from industry wide stakeholders.

Identifying and defining challenging issues is an important feature of the ABSF and SSF. However, by looking at these issues as opportunities to collaborate, the frameworks serve to strengthen and advance the value, reputation and sustainability of Australia's red meat and wool industries.

■ HOW DOES CN30 ADVANCE AUSTRALIA'S RED MEAT INDUSTRY AND SUSTAIN THE ENVIRONMENT?

Key points

- The CN30 initiative demonstrates the red meat industry's proactive and collaborative approach to greenhouse gas (GHG) reduction.
- Red meat livestock GHG emissions have fallen by 56.7% since 2005, representing the greatest reduction by an Australian business sector.
- The red meat and livestock industry contributes 10% of Australia's GHG emissions: this is half the emissions in 2005.

CN30 is an aspirational program and target for the Australian red meat industry. CN30 aims to make red meat more socially acceptable, profitable and carbon neutral in 2030. Achieving this will require an all-of-industry commitment, the right policy settings and new investment in research, development and adoption.

Meeting the target aims to help consumers feel good about purchasing and enjoying red meat and it means

producers can benefit from improved productivity, often a natural consequence of reducing emissions.

The industry has already reduced red meat's overall contribution to national greenhouse gas emissions and has reduced the water volume required to produce a kilogram of beef (Figure 81).

These significant improvements are inspiring other industries, organisations and governments to develop their own carbon neutral and sustainability goals.

MLA has outlined four key work areas for ongoing CN30 investment activities. These are:

- emissions reduction research and development
- carbon storage research and development
- integrated management
- leadership building (Figure 83).

MLA's existing investment across these work areas totals \$53m to 2024, with the majority of investment in research and development activities (Figure 82).

Figure 81: The Australian red meat industry has already made significant progress towards sustainability and the CN30 target.

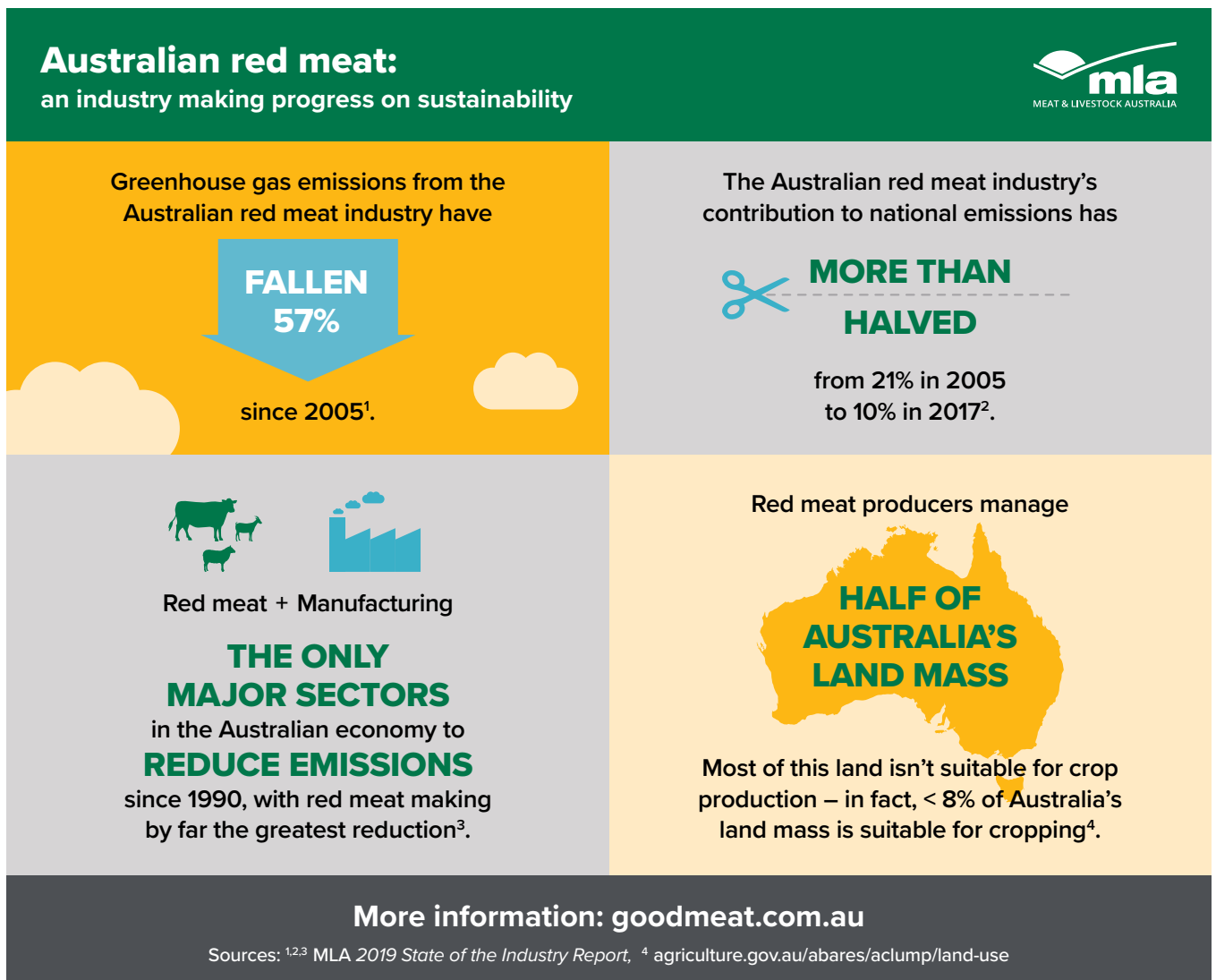


Figure 82: MLA's CN30 investment activities are categorised across four work areas.

CN30

CN30 is the Australian red meat industry's aspirational target to be carbon neutral by 2030.

MLA is supporting CN30 through investing in research, development and adoption:

- EMISSIONS AVOIDANCE R&D** (Icon: leaf and flame)
- CARBON STORAGE R&D** (Icon: tree and grass)
- INTEGRATED MANAGEMENT** (Icon: document and pencil)
- LEADERSHIP BUILDING** (Icon: group of people)

For more information, visit mla.com.au/CN30

Figure 83: MLA are investing in RDA activities aimed to help our industry implement practices and pathways in line with the CN30 target.

CN30

Meat & Livestock Australia, in partnership with the red meat and livestock industry, is investing in research, development and adoption projects to move towards the CN30 target.

Some examples of investment include:

- Continual improvement in animal genetics and husbandry practices** to reduce methane emissions per kg of production (Icon: DNA helix)
- Developing technology to **reduce methane emissions from livestock** (Icon: clouds)
- Developing **viable grazing supplement delivery technologies** that maintain livestock productivity and lower methane emissions (Icon: microscope)
- Advancing **soil carbon sequestration methods** and measurement technology (Icon: soil tubes)
- Improving **integration of trees and shrubs for improved carbon storage**, animal health and biodiversity (Icon: tree)

For more information, visit mla.com.au/CN30

■ WHAT IMPACT HAS COVID-19 HAD ON RED MEAT DEMAND?

Key points

- COVID-19 has caused a significant slowdown in the global economy, disrupting buying competition and changing red meat consumption behaviours.
- Foodservice restrictions have altered the typical balance of demand for specific Australian red meat cuts, causing substantial carcass utilisation challenges.
- Australia's strong reputation for high food safety and quality standards, built over decades of combined industry investment in global markets, will continue to underpin strong consumer demand for Australian red meat.

COVID-19 has had an overbearing influence upon domestic and global markets since the start of 2020 and has resulted in many mixed signals impacting red meat markets.

The outbreak of COVID-19 is an event the modern world has not previously experienced and, as such, has created a new level of uncertainty and volatility in the global marketplace. The impact of COVID-19 across red meat markets varies and has been shaped by many pre-existing factors, such as a country's dependence on imports, the level of consumer disposable income and the prominence of red meat in consumer diets. The market impact has also reflected evolving factors such as the success of virus containment, the level of restrictions imposed by the government and the speed of economic recovery.



COVID-19 has caused widespread social, economic, logistics, travel and trade disruptions and triggered unprecedented regulatory and stimulatory action from governments around the world. It is impossible to estimate the overall impact on the Australian red meat industry from the economic slowdown, disruption to foodservice channels and dislodgement of supply chains as conditions remain fluid.

Economic slowdown

The extent of the impact of COVID-19 on the global economy will depend on when the virus is contained, but much damage has already been done. The global economy and most of Australia's key red meat markets are facing a significant slowdown or outright recession as a result of COVID-19.

While falling global GDP levels doesn't directly impact demand for Australian red meat on its own; it does, however, reflect the broader health of an economy and correlates with unemployment, consumer confidence and income – factors which do directly impact red meat sales. With many key markets now in the midst of an economic recession, tighter disposable incomes may encourage greater consumption of lower-priced substitutes, diminishing the fierce competition for red meat that existed in 2019.

While the impact from COVID-19 on Australian red meat demand may be more severe than any economic downturn in recent history, the industry will be more sheltered than many sectors. People still need to eat, and red meat plays a central role in a broad mix of cultures and cuisines.

Foodservice and retail

The unprecedented nature of the outbreak has created a multitude of headwinds, one of which is the slowdown of global foodservice industries, a key channel for Australian red meat. In contrast, the retail channel has experienced an increase in demand as people have been confined at home and spent more time cooking and preparing meals. While increasing retail demand is a positive and has helped offset the slowdown in foodservice channels, a number of issues have emerged from this shift.

Typically, higher value loin cuts make their way into foodservice, balancing out the overall value of the carcass for processors. With most markets facing a slowdown in foodservice demand, carcass balance has become a major challenge. The impact of this shifting demand differs across markets, depending on the weighting of consumption between retail and foodservice channels, as well as the ability for supply chains to adapt and repurpose products. It is clear, however, that the recovery of the foodservice sector, a key channel for higher-value beef and lamb cuts, will be critical for the future demand prospects of Australian red meat.

Logistical/supply chain issues

COVID-19 difficulties have been compounded by the logistical and operational barriers it has created, such as port bottlenecks, limited refrigerated container availability, disruptions to air-freight and labour shortages. These factors have all complicated red meat supply and caused temporary disruptions across markets. Australia's ability to adapt to various supply chain difficulties and continue supplying product with as much normality and consistency as possible will enable it to continue servicing demand, particularly important for markets that rely on imports for national food security.

Shifting consumer needs

The multi-layered impact of COVID-19 has prompted some significant shifts in consumer purchasing behavior and perceptions. Broadly, COVID-19 has led many consumers to seek products that they trust and have an increased focus on health, hygiene and quality. Australia's strong credibility, with high safety and quality standards, gained in markets over decades of combined industry investment, should continue to support consumer demand for Australian red meat.

COVID-19 has created a volatile trading environment with many unique circumstances and mixed drivers affecting Australian red meat. Government restrictions have caused significant changes to where Australian red meat is purchased and consumed. Along with this, COVID-19 has caused a sudden downgrade in the global economic outlook that will result in a recession that is both broader and deeper than the global financial crisis, affecting disposable incomes and, subsequently, purchasing behaviour. As long as global foodservice demand remains subdued, there will also be ongoing challenges around carcass utilisation. However, Australia's large and diversified portfolio has it well positioned to shift product to where it is needed and its strong reputation will underpin consumer needs for trust, safety and quality.

Glossary and key terms

ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ABS	Australian Bureau of Statistics
ALFA	Australian Lot Feeders' Association
b	billion
BOM	Bureau of Meteorology
cwe	carcase weight equivalent
cwt	carcase weight
DAWE	Department of Agriculture, Water and the Environment
EU	European Union
FAO	Food and Agriculture Organisation
Farm cash income	a measure of cash funds generated by the farm business for farm investment and consumption after paying all costs incurred in production.
FTA	Free Trade Agreement
GHG	greenhouse gas
Industry turnover	the income generated by business within the industry from the sales of goods and services. It includes the income generated from rent, leasing and hiring income.
Industry value add	the overall value of goods and services produced by businesses in an industry (also known as contribution to gross domestic product (GDP)).
m	million
MENA	Middle East and North Africa
Mixed farming classification	this classification is made up of producers in the industry who are engaged in farming both sheep and beef cattle. The statistics are derived from IBIS Reports A0141 Sheep-Beef Cattle Farming in Australia and A0145 Grain-Sheep or Grain-Beef Farming in Australia with proportions relating to canola, wool, other grains and wheat removed.
MLA	Meat & Livestock Australia
MSA	Meat Standards Australia
Mt	million tonnes
OECD-FAO	Organisation for Economic Co-operation and Development
Over-the-hooks	refers to the marketing of cattle/sheep/lambs directly from a farm to an abattoir where a producer is paid for the value of the carcase based on a sliding grid. The skin is also evaluated for length and quality and is purchased by the processor. The seller generally pays for the animal's transport from the farm to the abattoir. The producer generally receives payment within a seven to 14-day period.
rtc	ready to cook
rwt	retail weight
swt	shipped weight
Tariff	a tax or duty to be paid on a particular class of imports or exports





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