

STATE OF THE INDUSTRY REPORT

The Australian
red meat and
livestock industry





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

Executive summary

In 2020–21, Australia's red meat and livestock industry experienced exceptional operating conditions at the farm level. This was bolstered by above-average rainfall, which in turn supported the continuation of the national herd and flock rebuilds.

The COVID-19 pandemic continued to create international supply chain disruptions, with lockdowns and ongoing social restrictions altering consumer behaviour and impacting global economic performance.

As above-average rainfall continued across most of Australia's livestock regions – particularly southern Australia – the national herd and flock rebuilds strengthened as producers retained stock on-farm to replenish numbers following the drought. As a result of tight livestock supply, national sheep, lamb and cattle prices continually reached records throughout the year as the market rose to reflect stronger demand from all buyers, driven by restockers.

Meanwhile, production and slaughter volumes remained below pre-pandemic levels as the rebuilds and historically lower flock and herd sizes determined the availability of supply.

In encouraging news, carcase weights reached record levels across all species as a result of improved genetics and on-farm management. This offset lower slaughter volumes to deliver increases in red meat production from less animals, demonstrating the efficiency of Australian producers.

In 2020–21, Australia's red meat landscape experienced consolidation whereby the amount of farm businesses declined and the average farm size increased.

This continues the trend seen in 2019–20, with the impacts of the drought, the pandemic and the reduced supply of livestock being the key drivers.

Throughout 2020–21, the global pandemic continued to alter Australia's red meat and livestock landscape, providing excellent opportunities which the industry has seized while also presenting challenges the industry continues to face and overcome. Many of the trends seen in 2019–20 continued, such as a prominent move towards increased red meat retail sales and reduced foodservice activity as more consumers enjoyed Australian red meat at home. These results are reflected in turnover and industry value add figures, demonstrating the growth in the retail sector for the industry.

Internationally, exports were lower across all species as the national herd and flock rebuilds continued in line with excellent seasonal conditions. Volumes to key established markets remained buoyant considering the significant shift in both consumption behaviours and supply availability through the year. Encouragingly, emerging markets continued to evolve and demand more Australian red meat – furthering Australia's market diversity and proving its reputation for delivering high quality protein across the globe.

Domestically, consumers continue to demand access to Australian red meat via a range of market avenues and remain committed to enjoying red meat both at home and through a range of foodservice channels. As global economies continue to recover and supply increases (driven by the herd and flock rebuilds), red meat producers are extremely well placed to capitalise on global demand.

The operating environment



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

Australia had around 1.5% of the global cattle herd in 2020
(ABS, FAO).

Australia had around 5% of the global sheep flock in 2020
(ABS, FAO).



Australia is a key exporter in global red meat markets

In 2021, Australia was the fourth largest beef exporter after Brazil, India and the USA
(DAFF, IHS Markit).

Australia was the world's largest sheepmeat exporter in 2021 ahead of New Zealand, the United Kingdom, Uruguay and India
(DAFF, IHS Markit, Comtrade).

Australia was the world's largest goatmeat exporter in 2021, ahead of Ethiopia, Kenya, Spain and France
(DAFF, FAO).

In 2021, Australia exported more than 772,000 live cattle and 575,500 live sheep
(DAFF).



Global meat consumption increasing

Over the past 20 years, total global consumption of meat has been steadily increasing at an average annual rate of 1.1% for beef, 1.7% for sheepmeat, 0.9% for pork, and 3.2% for poultry meat
(OECD).

Between 2018 and 2021, global pork consumption dropped 9.5%
(OECD).

In Australia, plant-based protein consumption accounts for 0.6% of fresh meat volume sales
(Nielsen Homescan).



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

Australian per capita consumption of beef was approximately 19.2kg in 2021, while the global average is 6.4kg
(ABS, DAFF, OECD-FAO).

Australian per capita consumption of sheepmeat was approximately 5.9kg in 2021, while the global average was 1.8kg
(OECD-FAO).

In 2021, per capita lamb consumption increased in Australia for the first time since 2015
(OECD).



The industry environment

PRODUCTION OF LIVESTOCK

Global and domestic herd and flock size

- The global cattle herd was 1.5 billion head in 2020 (Figure 1) (FAO).
- The global sheep flock was 1.3 billion head in 2020 (Figure 1) (FAO).
- Australia accounts for a small proportion of the world's herd and flock – approximately 1.5% of the global cattle herd and 5% of the global sheep flock (ABS, FAO).
- Australia's cattle herd was 24.4 million head and the sheep flock was 68 million head as at 30 June 2021 (Figures 2 and 3) (ABS).

Production

- Global beef and veal production was 67.9 million tonnes cwe in 2020 (Figure 4) (FAO).
- Global sheepmeat production was 9.9 million tonnes cwe in 2020 (Figure 4) (FAO).
- Australia accounted for approximately 3% of global beef production and around 6.7% of global sheepmeat production in 2020 (ABS, FAO).
- Australia produced 662,973 tonnes cwt of lamb and mutton and 1.9 million tonnes cwt of beef and veal in 2021 (ABS).



Figure 1: Global cattle herd and sheep flock

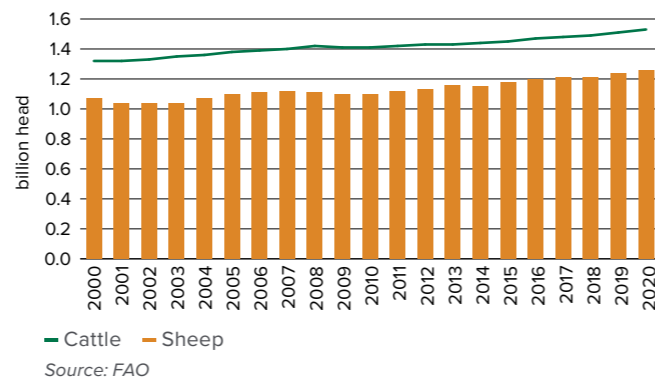


Figure 2: Australian cattle herd

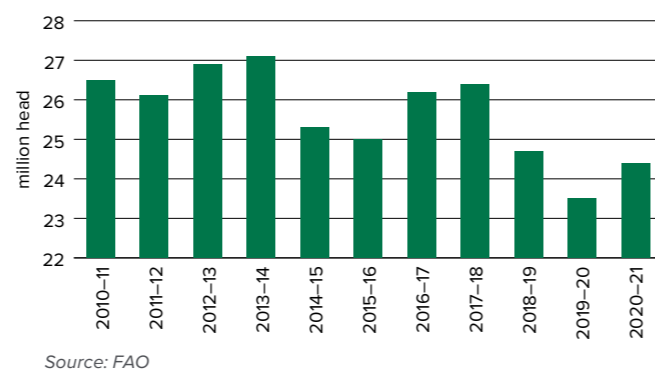


Figure 3: Australian sheep flock

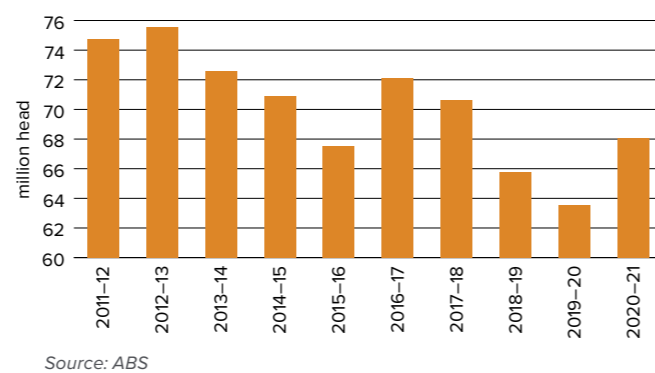
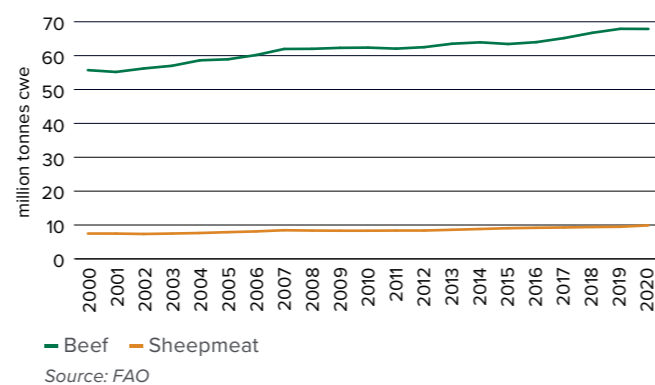


Figure 4: Global beef and sheepmeat production



CONSUMPTION OF RED MEAT

Global consumption

- Over the past 20 years, global consumption of meat has been steadily increasing (Figure 5). In 2021, 328.4 million tonnes of meat was consumed globally (OECD). Total global consumption increased at an average annual rate of 1% for beef and veal, 2% for sheepmeat and 3% for poultry. Consumption of pork has increased by under 1% per year (OECD-FAO).
- In 2021, sheepmeat accounted for 5% of total global meat consumption (excluding seafood), while beef and veal accounted for 22%. Poultry and pork accounted for 40% and 33%, respectively (OECD-FAO).

Domestic consumption

- There has been a steady decline in Australia's per capita consumption of red meat over the past two decades. Despite this, Australia remains one of the world's largest consumers of beef (7th), with per capita consumption in 2021 averaging 19.2kg (Figure 6) (OECD-FAO). The six countries consuming more beef per person than Australia are: Argentina, the US, Brazil, Israel, Chile and Kazakhstan.
- The retail price for lamb has climbed higher in recent years. However, Australia continues to be one of the largest per capita consumers of sheepmeat in the world. In 2021, Australian per capita consumption of sheepmeat was approximately 6kg (Figure 6) (OECD-FAO). According to the OECD, Australia was the second largest sheepmeat consumer on a per capita basis behind Kazakhstan. The other top sheepmeat consumers on a per capita basis were Norway, Saudi Arabia, Turkey, Iran and the UK (OECD).
- In 2021, Australia's per capita consumption of lamb increased from 5.8kg/person to 5.9kg/person.
- 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 15 of consumers have increased their red meat consumption (Figure 7) (MLA Community Sentiment Research).



Figure 5: Total global meat consumption

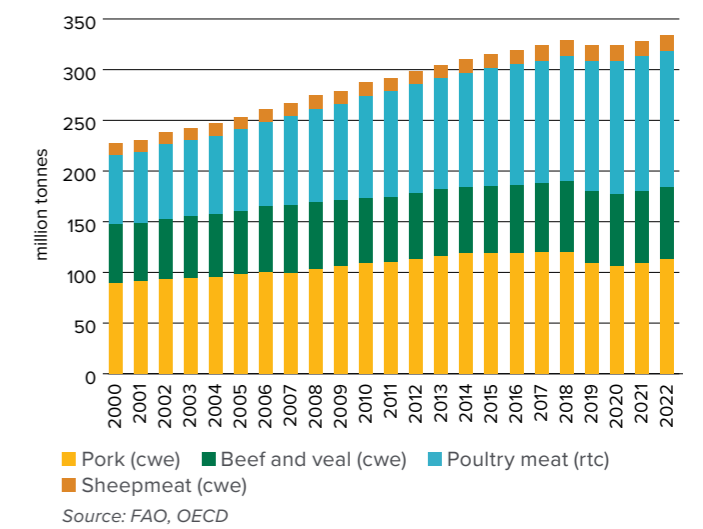


Figure 6: Australian per capita meat consumption

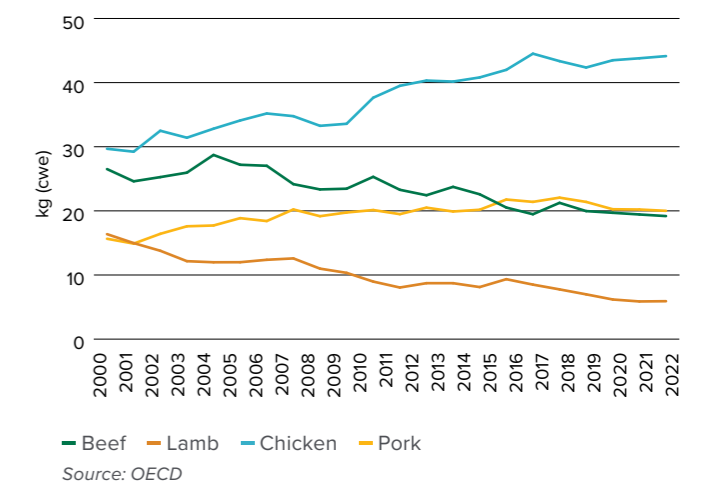
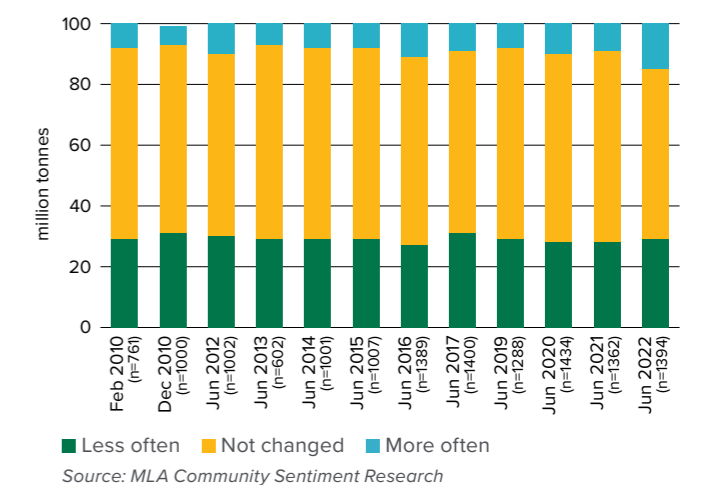


Figure 7: Australian sentiment to red meat consumption

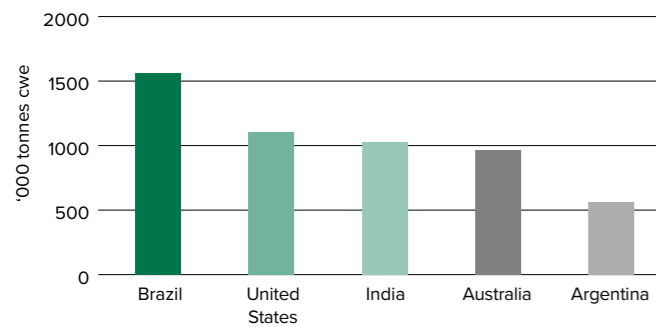


KEY EXPORT AND IMPORT PLAYERS

Exports

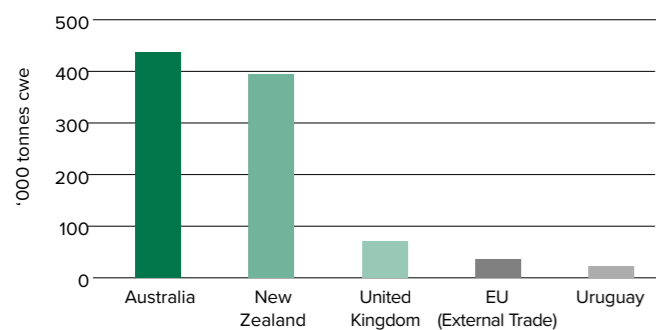
- Australia was the fourth largest beef and veal exporter in 2021, after Brazil, India and the US (Figure 8) (DAFF, IHS Markit).
- In 2021, Australia was the world's largest sheepmeat exporter, followed by New Zealand (Figure 9) (DAFF, IHS Markit, Comtrade).
- Australia was also the world's largest goatmeat exporter in 2021 (Figure 10) (IHS Markit).

Figure 8: Top five beef and veal exporting countries (2021)



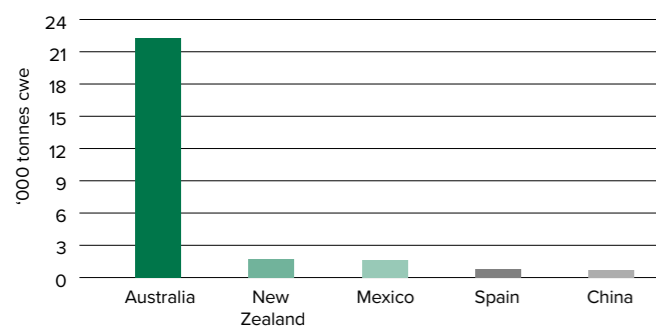
Source: IHS Markit

Figure 9: Top five sheepmeat exporting countries (2021)



Source: IHS Markit

Figure 10: Top five goatmeat exporting countries (2021)

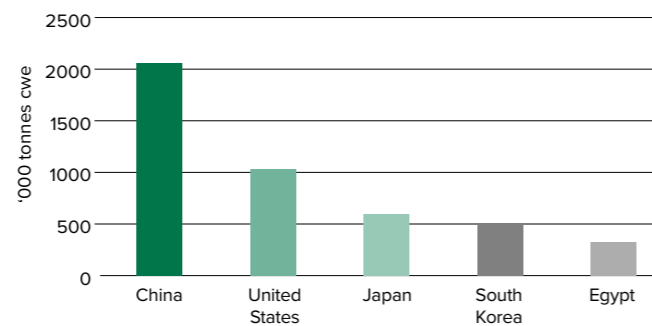


Source: IHS Markit

Imports

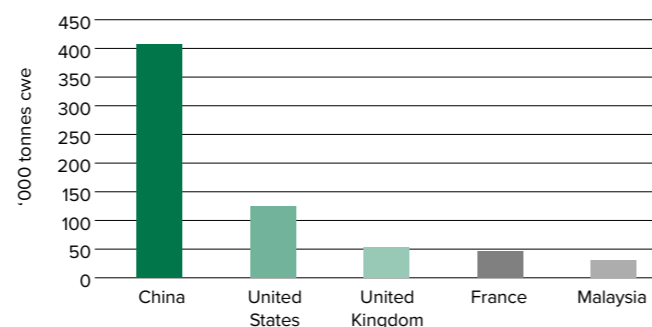
- In 2021, China held its position as the largest importer of beef and veal in volume terms, followed by the US and Japan (Figure 11) (IHS Markit).
- China was also the largest importer of sheepmeat in 2021, followed by the US and the UK (Figure 12) (FAO).
- In 2021, the largest goatmeat importers were the US, South Korea and Taiwan (Figure 13) (FAO).

Figure 11: Top five beef and veal importing countries (2021)



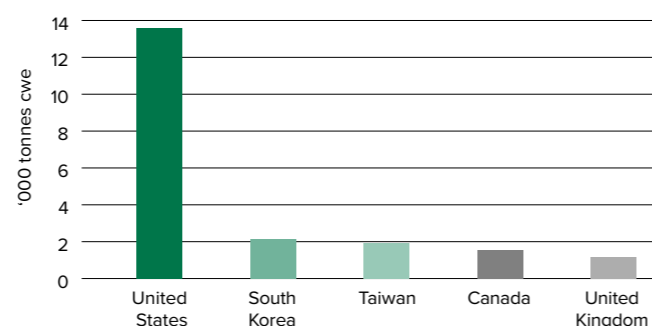
Source: IHS Markit

Figure 12: Top five sheepmeat importing countries (2021)



Source: IHS Markit

Figure 13: Top five goatmeat importing countries (2021)



Source: IHS Markit

The economic importance of the Australian red meat and livestock industry

INDUSTRY TURNOVER

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

In 2020–21, Australia's red meat and livestock industry turnover was \$67.7 billion. This is 4.4% lower than revised 2019–20 figures but an increase of 5.5% on 2016–17 figures. (ABARES, IBIS World).

Trends over time

- Red meat and livestock industry turnover fell 4% from 2019–20 to 2020–21, driven by tighter livestock supply limiting the availability of product to be delivered to market as the national herd and flock rebuilds occurred. Despite record high livestock prices, the tightening of supply throughout the red meat supply chain resulted in constrained industry turnover.
- The feedlot sector saw modest growth of 1.1% as cattle numbers on feed in Australia reached record levels due to robust export demand for Australian grainfed beef in global markets. Most other sectors fell, with the grassfed beef and sheep sectors experiencing the most significant declines of 4.3% and 19.1% respectively.
- Turnover in the domestic retail sector continued the strong growth seen in 2019–20, rising by another 3.5% in 2020–21 as COVID-19-related restrictions drove consumers to eat more homecooked meals. Rising red meat retail prices also supported this lift in the sector.

Composition by sub-sector

- In 2020–21, livestock production (beef cattle and sheep farming, and feedlots) accounted for 52% or \$34.99 billion of overall industry turnover, followed by processing (28%, or \$19.2 billion) and wholesale and retail sales (20%, or \$13.5 billion) (Figure 15).

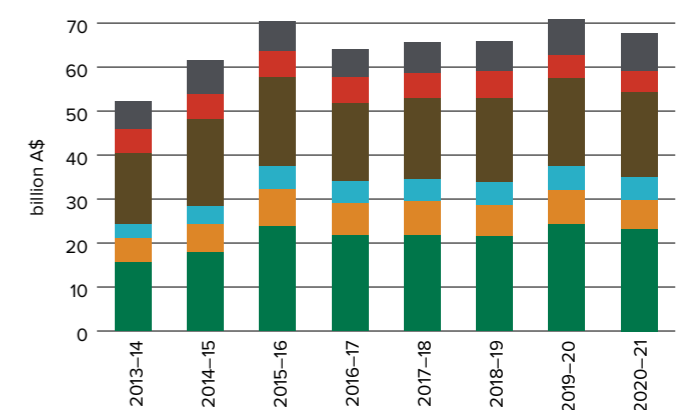
By state

- NSW, Victoria and Queensland accounted for over 73% of red meat and livestock industry turnover in 2020–21, followed by WA (13.6%) and SA (8.6%) (Figure 16).

Comparison to other industries

- The red meat and livestock industry's turnover totalled \$67.7 billion in 2020–21, accounting for approximately 1.7% of Australia's total key industry turnover.
- In comparison to other industries, the red meat and livestock industry is larger than both the 'arts and recreation services', 'education and training (private)' and 'public administration and safety (private) industries (Figure 17). However, it is smaller than the 'accommodation and food services' industry.
- The wholesale trade industry, by turnover, retained its position as the largest in the country in 2020–21 – with a turnover eight times larger than that of the red meat and livestock industry.

Figure 14: Industry turnover by sub-sector*

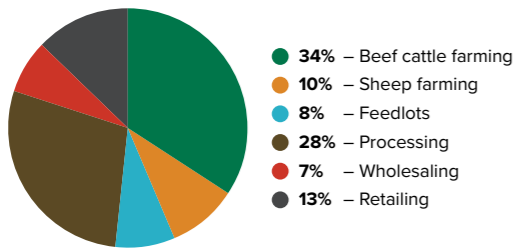


Source: Ernst & Young, IBISWorld

*The contribution of live exports to industry turnover is represented in beef, sheep and mixed farming
**In 2020–21 mixed farming outputs were disaggregated to their respective beef and sheep farming categories

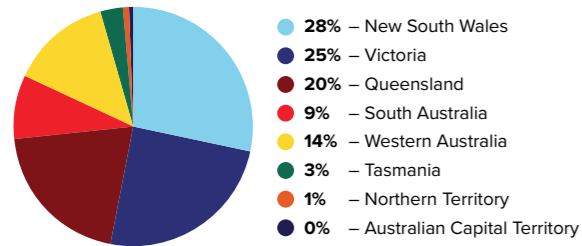


Figure 15: Industry turnover by sub-sector (2020–21)



Source: Ernst & Young, IBISWorld, ABS
*In 2020–21 mixed farming outputs were disaggregated to their respective beef and sheep farming categories

Figure 16: Industry turnover by state (2020–21)



Source: Ernst & Young, IBISWorld, ABS

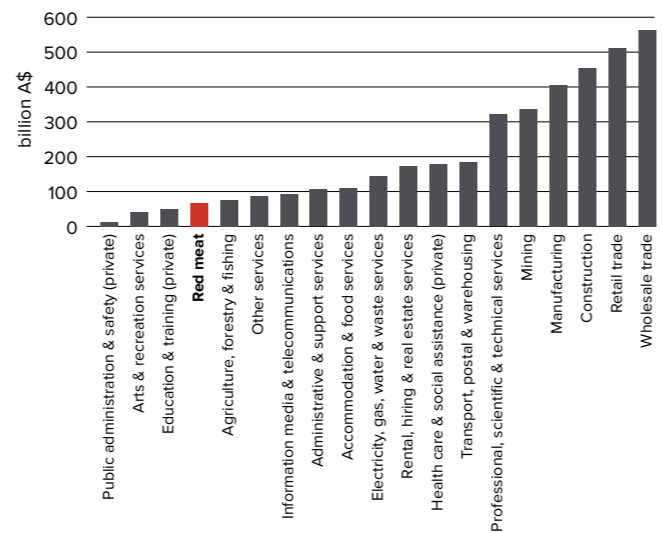
Table 1: Industry turnover by sub-sector (\$m, 2014–15 to 2020–21)

Sub-sector	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Beef cattle farming	17,853	23,691	21,674	21,797	21,546	24,225	23,191
Sheep farming	6,399	8,503	7,405	7,734	7,022	7,900	6,390
Feedlots	4,136	5,263	5,021	4,913	5,168	5,356	5,414
Processing	19,668	20,345	17,705	18,474	19,230	20,028	19,228
Wholesaling	5,802	5,867	5,809	5,733	5,955	5,037	4,884
Retailing	7,671	6,657	6,564	6,890	6,895	8,293	8,586
Total	61,529	70,326	64,179	65,541	65,816	70,838	67,692

Source: Ernst & Young, IBISWorld



Figure 17: Industry turnover compared with other industries (2020–21)



Source: Ernst & Young, IBISWorld, ABS
Note: This only includes direct industry turnover for the defined industries

INDUSTRY VALUE ADD

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, IBIS World).

Australia's red meat and livestock industry value add was \$13.5 billion in 2020–21, 6% higher year-on-year.

Trends over time

- Australia's red meat and livestock industry value add increased 6% from 2019–20 to 2020–21, largely driven by record high domestic livestock prices in both the cattle and sheep industries.
- During this period, industry value add for the production sector – encompassing beef cattle and sheep farming, and feedlots – lifted \$809 million or 10.4%, while the processing sector's value add remained firm year-on-year.
- Domestic wholesaling value add fell 2%, while retail value add increased 6% or \$76 million in 2020–21.

Composition by sub-sector

- In 2019–20, the production sector (beef cattle and sheep farming, and feedlots) accounted for 63% of industry value add (or \$8.57 billion) followed by processing at 23% (or \$3.1 billion) and sales (wholesale and retail) at 13.8% (\$1.9 billion) (Figure 18).

By state

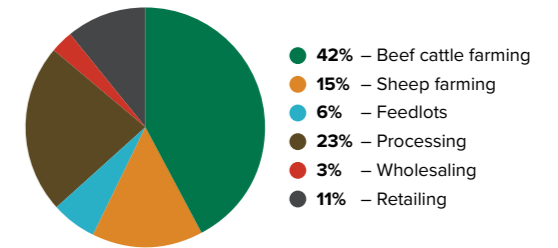
- Queensland, NSW and Victoria accounted for 73% or \$9.8 billion of industry value. NSW was the largest state in IVA terms. It also experienced the strongest growth, rising by 12.2% or \$406 million in 2020–21, (Figure 19).

Comparison to other industries

- In 2020–21, value add from the red meat and livestock industry was \$13.5 billion, larger than the 'arts and recreation services' industry (\$11.9 billion) and 'public administration and safety (private)' industry (\$6.9 billion) (Figure 20).
- The red meat and livestock industry accounted for only 1% of Australia's key industry total value add in 2020–21. (Figure 23)
- Mining retained its position as the industry with the highest value add in 2020–21 at \$216 billion. This was more than 15 times the value add for the red meat and livestock industry, as record high commodity prices drove its increase in 2020–2021.

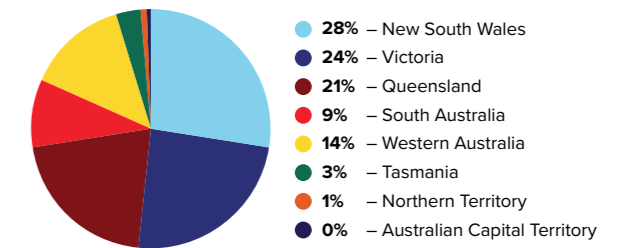


Figure 18: Industry value add by sub-sector (2020–21)



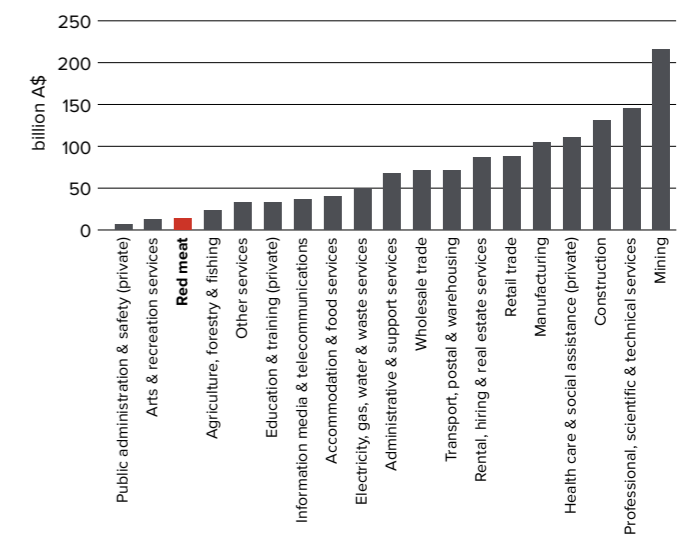
Source: Ernst & Young, IBISWorld
*In 2020–21 mixed farming outputs were disaggregated to their respective beef and sheep farming categories

Figure 19: Industry value add by state (2020–21)



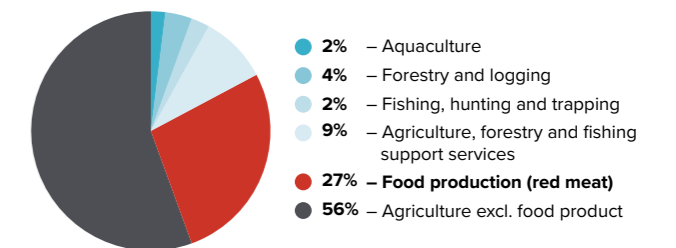
Source: Ernst & Young, IBISWorld, ABS

Figure 20: Industry value add compared with other industries (2020–21)



Source: Ernst & Young, IBISWorld, ABS

Figure 21: Agriculture production industry value add (2020–21)



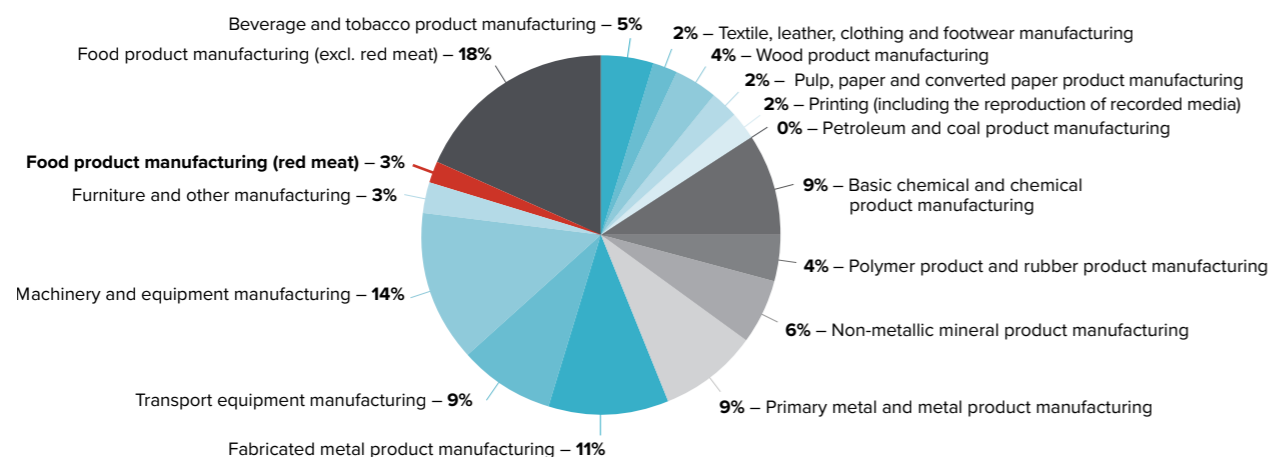
Source: ABS, IBISWorld

Table 2: Industry value add by sub-sector (\$m, 2014–15 to 2020–21)

Sub-sector	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Beef cattle farming	4,581	9,542	9,996	8,614	4,156	4,335	5,710
Sheep farming	2,350	3,116	2,593	2,647	2,410	2,639	2,053
Feedlots	670	816	859	752	749	793	812
Processing	3,757	2,828	2,302	2,457	3,057	3,184	3,076
Wholesaling	453	525	553	504	503	439	429
Retailing	1,299	1,083	1,091	1,088	1,147	1,357	1,433
Total	13,110	17,909	17,393	16,062	12,023	12,747	13,514

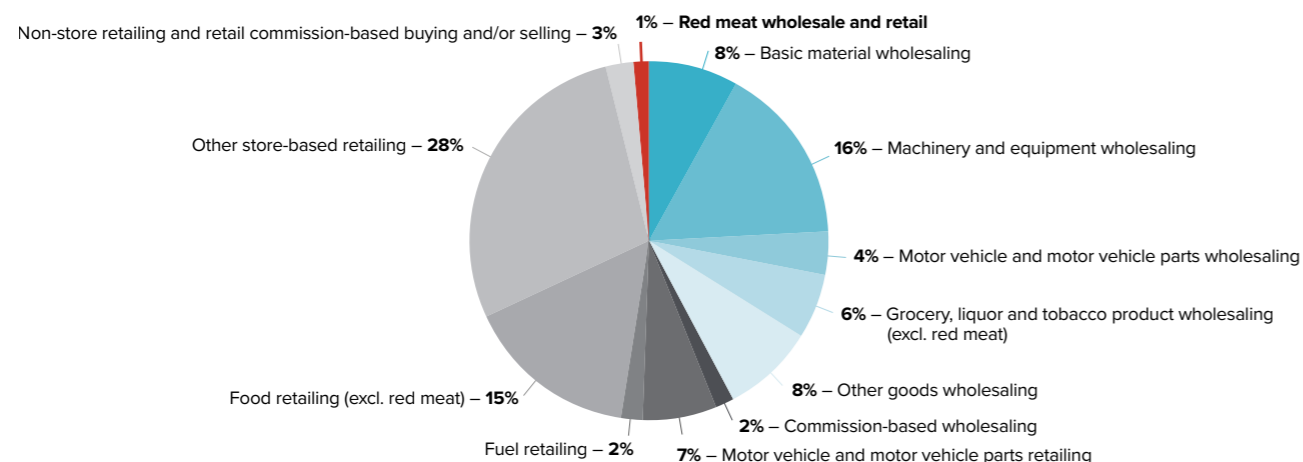
Source: Ernst & Young, IBISWorld

Figure 22: Manufacturing industry value add (2020–21)



Source: ABS, IBISWorld

Figure 23: Sales industry value add (2020–21)



Source: ABS, IBISWorld

EMPLOYMENT

In 2020–21, the Australian red meat and livestock industry employed approximately 428,000 people.

Of these, 191,700 were directly employed in the industry. The industry was also responsible for the employment of a further 239,000 people in businesses servicing the red meat and livestock industry.

*2016 was the last Census year prior to 2021. Therefore, some employment figures in this section reference 2016 statistics as this is the most recent year of data.

Employment data from the 2021 Census had not been released at date of publishing.

Generation of direct and indirect employment

- The red meat and livestock industry directly employed almost 191,700 people in 2020–21, 9% higher than 2012–13 employment levels.
- The industry was responsible for generating indirect employment for almost 239,000 people in businesses servicing the red meat and livestock industry in 2020–21. 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 the supply of farm inputs, such as fertiliser.

Composition by sub-sector

- The production sector (beef cattle and sheep farming, and feedlots) accounted for 128,074 jobs in 2020–21, with the processing sector accounting for 31,200 jobs and the remainder being in wholesaling and retailing (Figure 24).
- The retail sector experienced a second consecutive year of jobs growth, rising by 2% in 2020–21 with robust demand for Australian red meat supporting this increase.

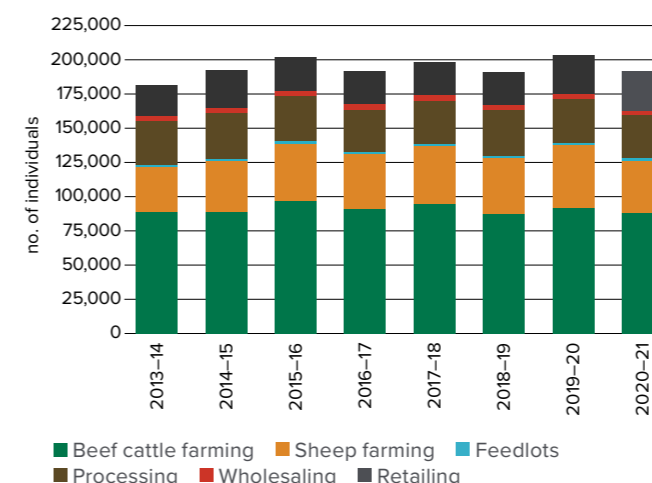
Direct employment by state

- In 2020–21, NSW continued to have the highest levels of direct employment in the red meat and livestock industry at 29%, followed by Victoria at 24% and Queensland at 21% (Figure 25).

Employment compared with other industries and total workforce

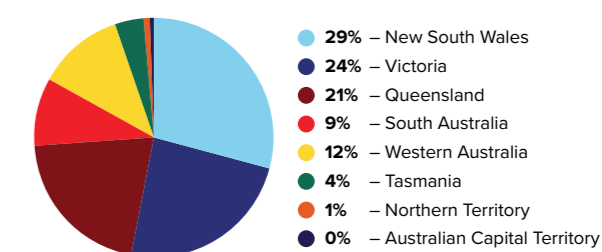
- Direct employment in the red meat and livestock industry represented approximately 1.6% of Australia's key industry total employment in 2020–21 (Figure 26).
- Encouragingly, Australia's red meat and livestock production sector (beef cattle and sheep farming, and feedlots) accounted for 29% of Australia's total direct employment in agriculture production in 2020–21. This demonstrates the foundational role the livestock production sector plays in rural and regional communities alongside meat processing (Figure 27).

Figure 24: Direct employment by sub-sector*



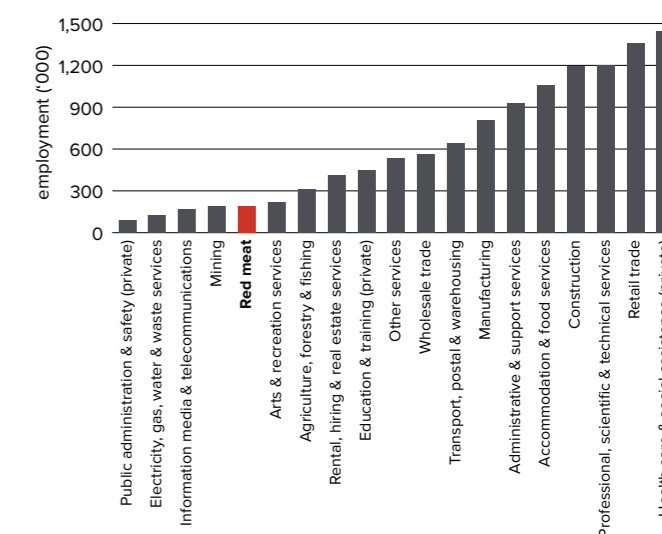
Source: Ernst & Young, IBISWorld
 *The contribution of live exports to industry turnover is represented in beef, sheep and mixed farming
 **In 2020–21 mixed farming outputs were disaggregated to their respective beef and sheep farming categories

Figure 25: Direct employment by state (2020–21)



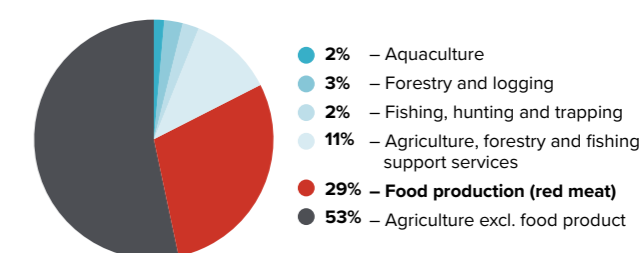
Source: Ernst & Young, IBISWorld

Figure 26: Direct employment compared with other industries (2020–21)



Source: Ernst & Young, IBISWorld

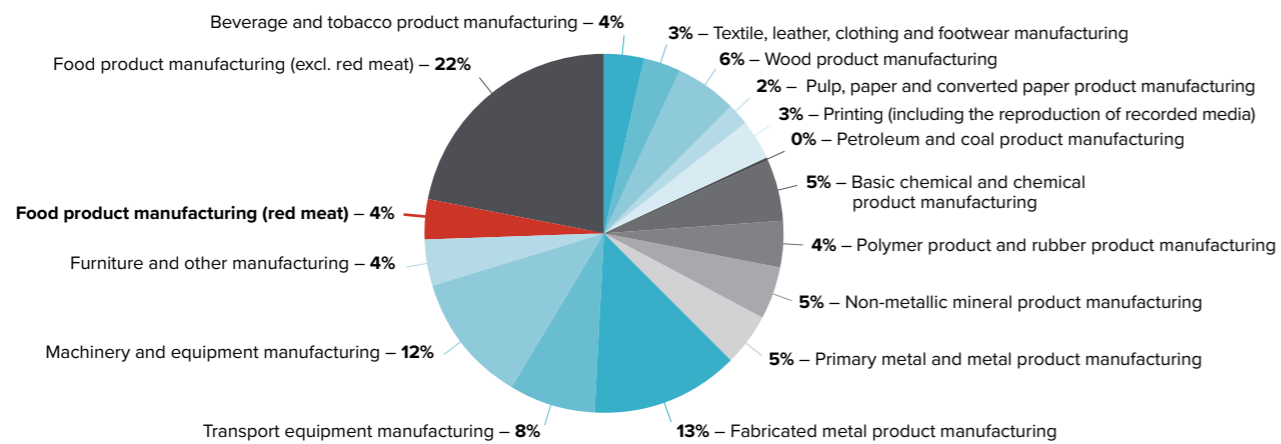
Figure 27: Agriculture production employment (persons) (2020–21)



Source: ABS, IBISWorld

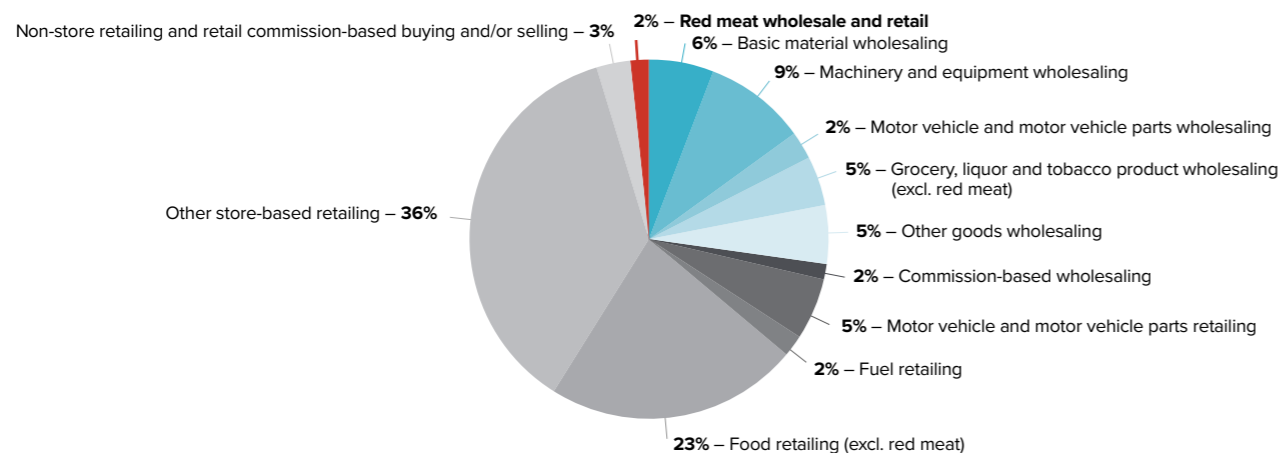


Figure 28: Manufacturing employment (persons) (2020–21)



Source: ABS, IBISWorld

Figure 29: Sales employment (persons) (2020–21)



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)	11141
2 Teys Australia	3653
3 Thomas Foods International	1987
4 NH Foods Australia	1480
5 Australian Country Choice (ACC)	1250
6 Kilcoy Pastoral Company Limited	1064
7 Northern Co-operative Meat Company (NCOMC)	1000
8 Yolarno Pty Ltd (previously Bindaree Beef Group and Sanger)	1000
9 Fletcher International Exports	808
10 Midfield Meat International	670

Source: Ernst & Young, 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 so as not to contribute 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 25–29 years in 2016 (Figure 30).
- Older Australians tend to dominate in the sheep and beef cattle production sectors, just as they do in the agriculture sector as a whole.

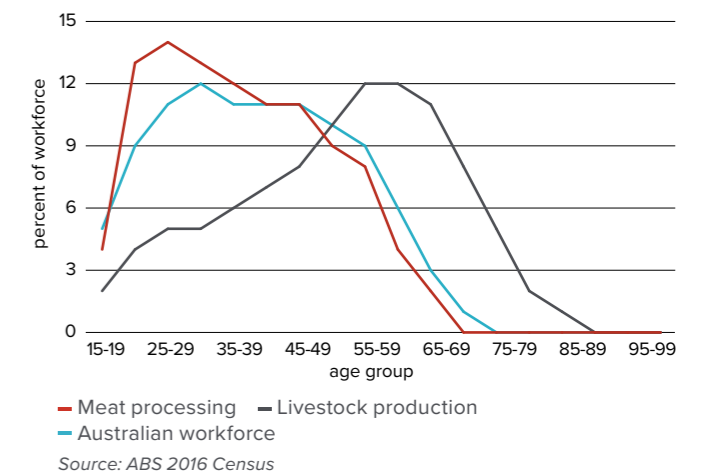
Education profile of the workforce

- In the red meat and livestock industry, most employment opportunities in the production and processing sector are for those with practical and technical skills, rather than those with higher levels of formal education.
- In 2016, the highest level of education achieved by more than 50% of red meat and livestock employees was secondary education; 10% of red meat and livestock employees held a Bachelor degree or higher (Figure 31).

Indigenous employment

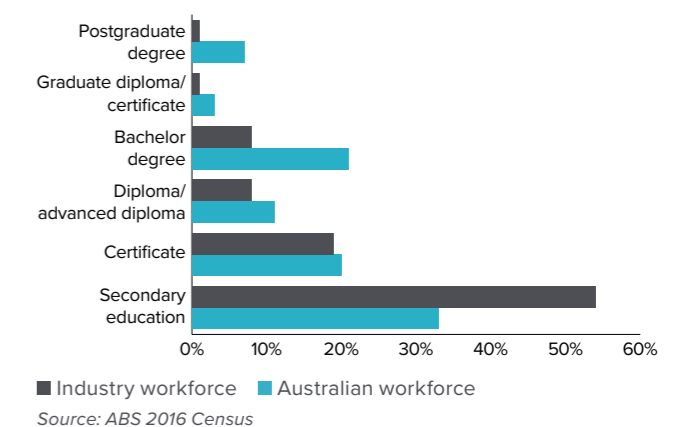
- Specialist sheep farms and mixed farms employ few Indigenous Australians.
- Of those directly employed in specialist beef farms, 1.8% identified as Indigenous in 2016 (Figure 32).
- For specialist beef farms in the NT, Indigenous employment accounted for 10.7% of the total employment in 2016, while in north-west WA, it was 15% (Figure 32).
- In 2016 Indigenous Australians also comprised a higher proportion (2.8%) of the meat processing workforce than for Australian industries in general, at 1.7% (Figure 32).

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



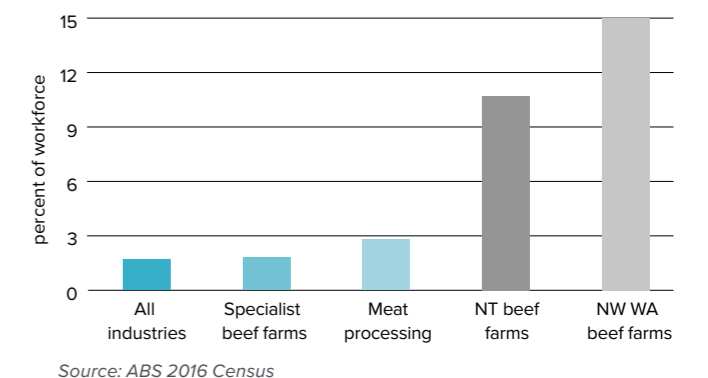
Source: ABS 2016 Census

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



Source: ABS 2016 Census

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



Source: ABS 2016 Census



NUMBER OF BUSINESSES

In 2020–21, Australia had nearly 76,000 red meat and livestock businesses, back 7% from 2019–20 and 7% below 2016–17 levels.

Trends over time

- The number of businesses within the red meat and livestock industry has remained relatively consistent in the last five years, peaking in 2015–16 before trending slightly downwards through to its lowest figure in 10 years in 2020–21.
- The fall in red meat and livestock businesses since 2015 can be attributed to industry rationalisation achieved by growing economies of scale.

Composition by sub-sector

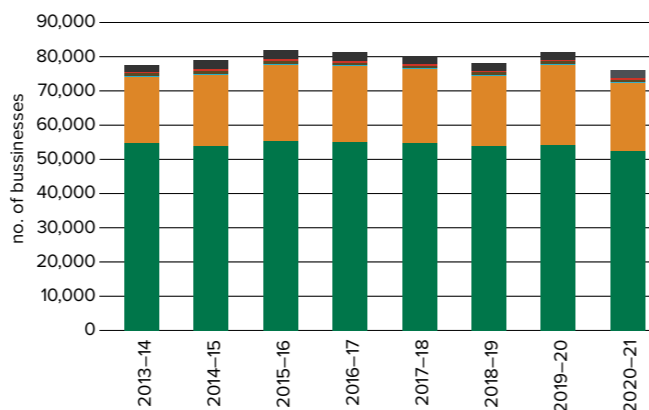
- In 2020–21 production (beef cattle and sheep farming, and feedlots) accounted for 95.4% of all red meat and livestock businesses. Sales – which encompasses the wholesale and retail sectors – made up 3.6% of the industries businesses, with the number of processing sector businesses growing 1.3% year-on-year (Figure 34).

By state

- NSW had the largest number of red meat and livestock businesses in 2020–21 (19,737), accounting for 26% of all red meat and livestock businesses in Australia. This was followed by Victoria at 23% (17,172) and then Queensland at 22% (16,755) (Figure 35).
- In 2020–21, all states except NSW and the ACT experienced falls in the number of red meat businesses. In 2020–21, agricultural business numbers in the ACT grew by 9.7%, while the number of NSW businesses grew by 1.7%.



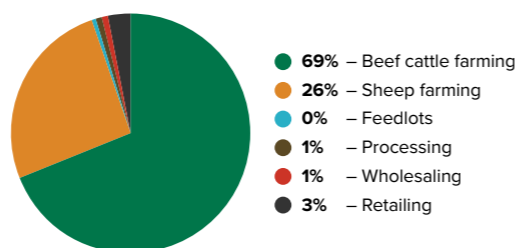
Figure 33: Red meat and livestock businesses across the supply chain*



Legend: Beef cattle farming (green), Sheep farming (orange), Feedlots (blue), Processing (brown), Wholesaling (red), Retailing (grey)

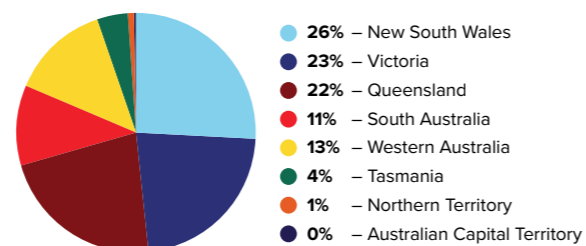
Source: Ernst & Young, IBISWorld
 *The contribution of live exports to businesses is represented in beef, sheep and mixed farming
 *In 2020–21 mixed farming outputs were disaggregated to their respective beef and sheep farming categories

Figure 34: Business numbers by sub-sector (2020–21)



Source: Ernst & Young, IBISWorld

Figure 35: Red meat and livestock business numbers by state (2020–21)



Source: Ernst & Young, IBISWorld, ABS

Table 4: Number of businesses by sub-sector (2014–15 to 2020–21)

Sub-sector	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Beef cattle farming	54,008	55,302	55,091	54,730	53,854	54,187	52,421
Sheep farming	20,571	22,140	21,970	21,517	20,418	23,238	19,692
Feedlots	398	395	395	394	393	392	386
Processing	758	790	705	644	705	740	749
Wholesaling	554	542	539	526	520	456	458
Retailing	2,756	2,710	2,701	2,219	2,154	2,344	2,302
Total	79,045	81,878	81,401	80,030	78,043	81,357	76,009

Source: Ernst & Young, IBISWorld

EXPORTS

Red meat and livestock exports fell 22% year-on-year to total \$14.6 billion in 2020–21. However, this is 11% higher than 2016–17 levels.

Trends over time

- Red meat and livestock exports (including co-products) decreased 22% from 2019–20 to total \$14.6 billion in 2020–21. This is due to significant herd and flock rebuilding, which tightened the supply of livestock and therefore red meat available to international markets – ultimately this placed downward pressure on overall volumes (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 2020–21, the value of chilled and frozen meat accounted for nearly 80% of total meat and livestock exports at \$13 billion, with live sheep and cattle exports accounting for \$1.6 billion. (Figure 36) (Ernst & Young, IBISWorld).

By state of production

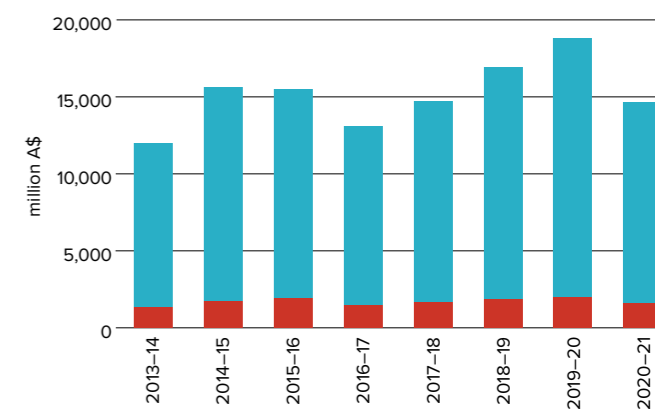
- Of all Australian states and territories, Queensland continued to be the largest exporter of beef and veal in 2020–21, accounting for approximately 54% of Australia's beef and veal export volumes (Figure 37) (DAFF).
- Victoria is Australia's largest sheepmeat exporter, accounting for approximately 40% of total sheepmeat exports. NSW is the second largest sheepmeat exporter, accounting for 30% of total exports.
- The three mainland eastern states accounted for 85% of total red meat exports, followed by WA (7%), SA (5%) and Tasmania (3%) (DAFF).

Comparison to other industries

- In 2018–19, red meat and livestock exports accounted for approximately 3.7% of Australia's key industry exports, valued at \$14.6 billion (Figure 38).



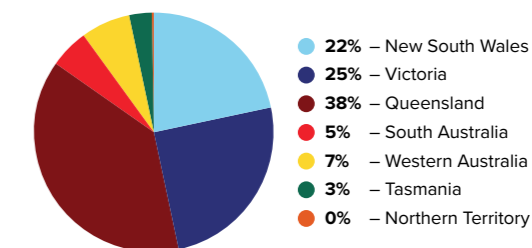
Figure 36: Export value by category



Legend: Live exports (red), Chilled/frozen meat (blue)

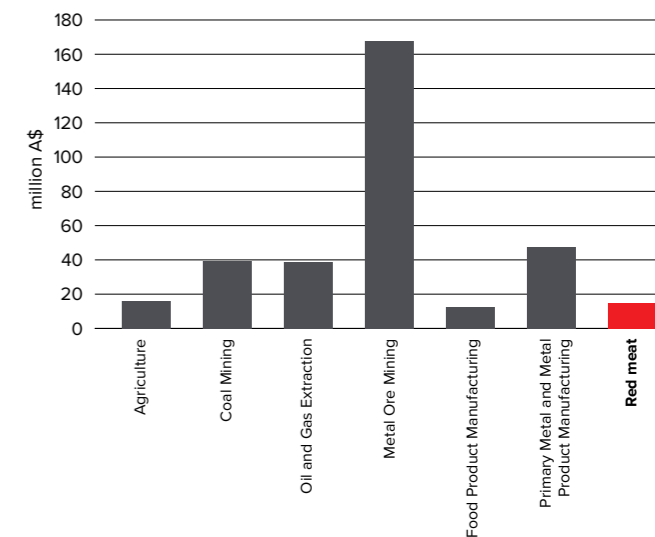
Source: Ernst & Young, IBISWorld

Figure 37: Red meat export volume by state of production (2020–21)



Source: Ernst & Young, IBISWorld, ABS

Figure 38: Red meat exports compared with other industries (2020–21)



Source: Ernst & Young, IBISWorld, ABS

Species statistics and performance

BEEF CATTLE

- The Australian cattle herd comprised 24.4 million head¹ on 30 June 2021, up 3.9% year-on-year after the herd reached its lowest level since 1990 in 2020–21 (Figure 39) (ABS).
- 90% of the herd consisted of beef cattle, while 10% were dairy cattle in 2020–21 (ABS).
- Queensland cattle accounted for 44% of the national herd in 2020–21, while NSW made up 18% and Victoria accounted for 15%. The NT and WA accounted for 7% and 9% respectively, while SA and Tasmania made up the remaining 4% and 3% respectively (Figure 40) (ABS).
- 53% of the beef herd were cows and heifers (aged one year and over) in 2020–21 (Figure 41) (ABS).

Figure 39: Australian cattle herd

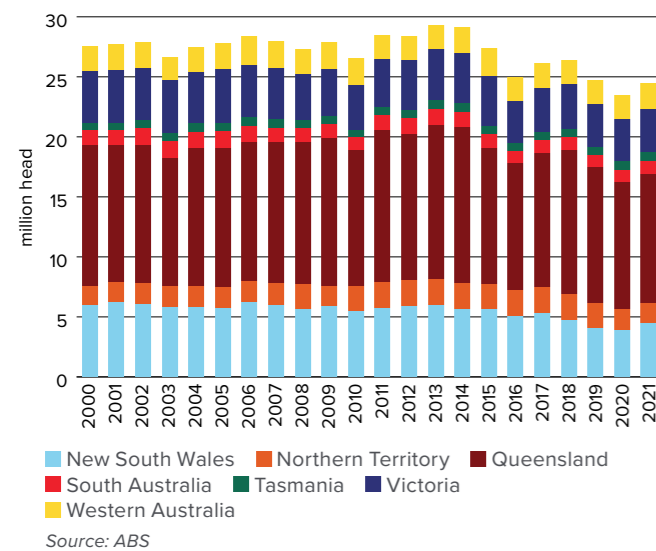
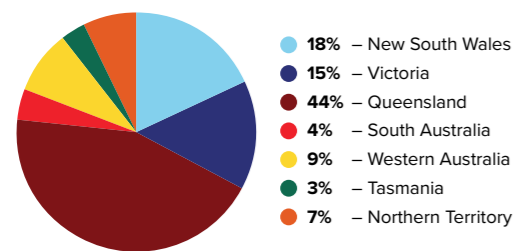
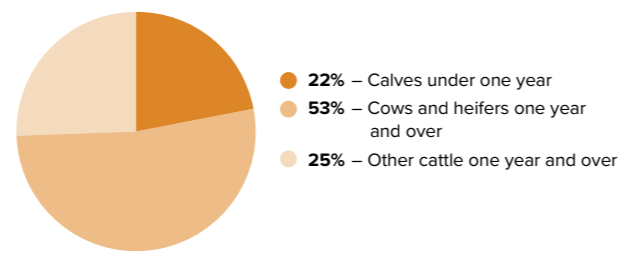


Figure 40: Australian cattle herd by state (2021)



Source: ABS, Data as at June 2020

Figure 41: Australian beef cattle herd composition (2021)

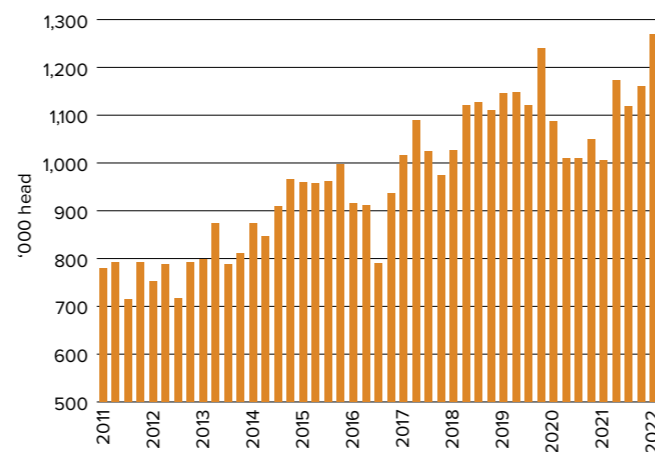


Source: ABS, Data as at June 2021

Feedlots

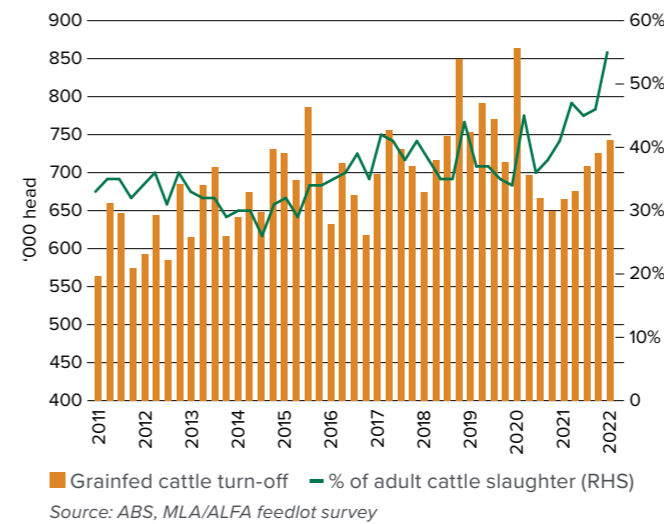
- The number of cattle on feed was reported at 1,269,927 head in the March quarter of 2022, an increase of 26% on year-ago levels and 15% above the five-year average (Figure 42).
- National utilisation for the quarter was up 5% to 85%, while capacity remained at the historically high level of 1.5 million head (MLA/ALFA Feedlot Survey).
- There were 2.8 million grainfed cattle turned off in 2021, an easing of 3% on 2020 levels (Figure 43) (MLA/ALFA Feedlot Survey).
- Feedlot numbers grew in every state, with WA increasing the most at 83% when compared to the December quarter of 2021 (MLA/ALFA Feedlot Survey).

Figure 42: Australian cattle on feed



Source: MLA/ALFA feedlot survey

Figure 43: Australian grainfed cattle turn-off

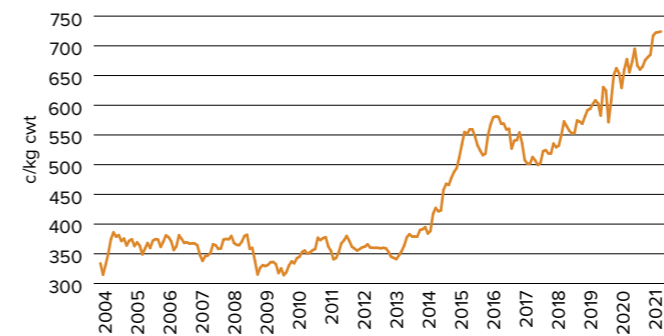


Source: ABS, MLA/ALFA feedlot survey

Over-the-hooks cattle indicators

- The 100-day grainfed steer over-the-hooks indicator (300–320kg) in Queensland averaged 691¢/kg cwt in 2021, 9% higher year-on-year (Figure 44) (MLA NLRS).

Figure 44: Queensland 100-day grainfed steer Over-the-hook indicator

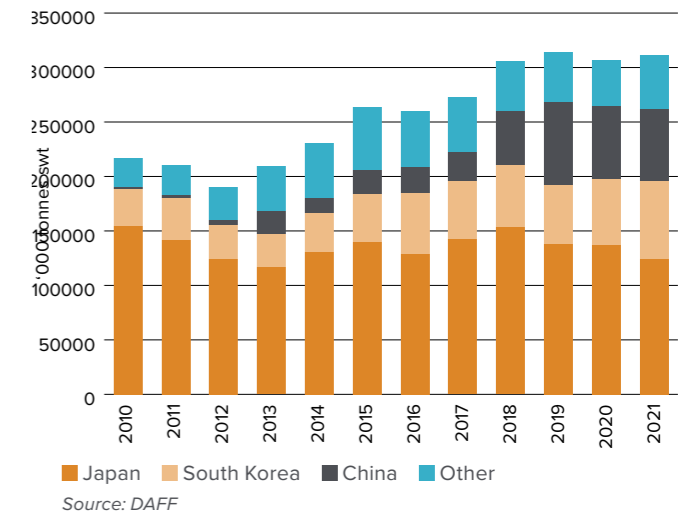


Source: MLA NLRS

Grainfed beef exports

- In 2021, grainfed beef exports accounted for 35% of Australia's total beef exports, up 6.5% year on year. (DAFF).
- Australia's grainfed beef exports totalled 311,796 tonnes swt in 2021, up 2% from the previous year (see Figure 45) (DAFF).
- Japan continued to be Australia's largest destination (in volume terms) for grainfed beef exports in 2021 (DAFF).
- Japan accounted for 40% of Australia's total grainfed beef exports in 2021, followed by South Korea at 23% and China at 21%. (DAFF).
- Compared with the five-year average, grainfed beef exports to Japan eased 11% in 2021, while exports to Korea increased 20% and exports to China increased by 16% (DAFF).

Figure 45: Australian grainfed beef exports

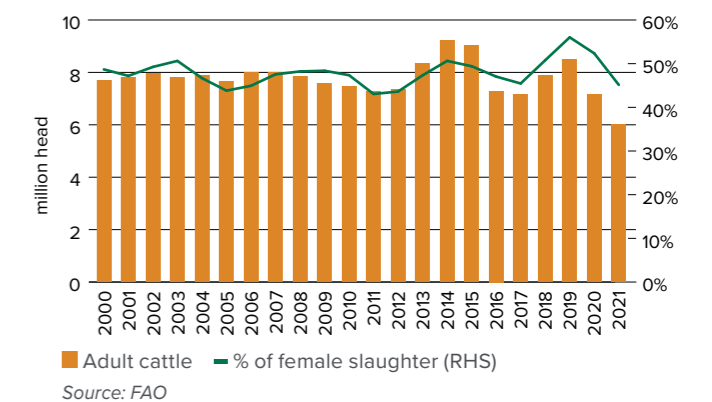


Source: DAFF

Slaughter

- Adult cattle slaughter totalled 6 million head in 2021, down 16% year-on-year (Figure 46) (ABS).
- Female (cow and heifer) slaughter accounted for 45% of total adult cattle slaughter in 2021 (Figure 46) (ABS).
- In 2021, female slaughter totalled 2.7 million head, down 27% on year-ago levels, while male slaughter eased 3% to 3.3 million head (ABS).

Figure 46: Australian adult cattle slaughter

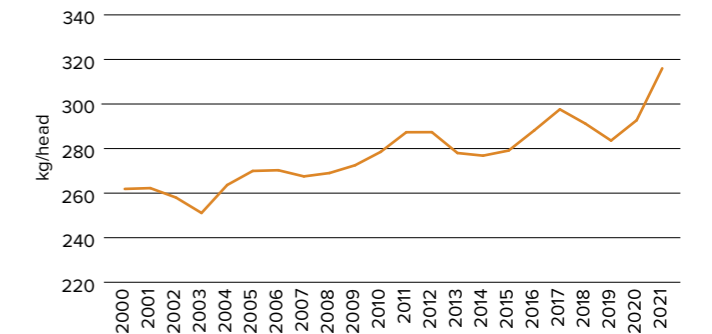


Source: FAO

Carcase weight

- The national average adult carcase weight in 2021 was 313kg/head, up 6.3% on the previous year (Figure 47) (ABS).

Figure 47: Australian average adult cattle carcase weight



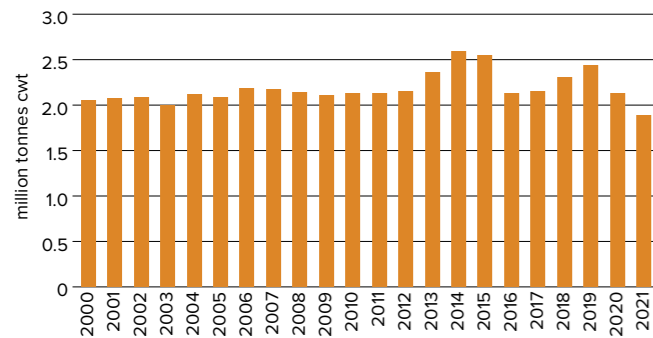
Source: ABS

¹ 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.

Production

- In 2021, Australian beef and veal production totalled 1.9 million tonnes cwt – 11% down on year-ago levels (Figure 48) (ABS).
- Queensland accounted for 50% of total beef production in 2021, followed by NSW (20%), Victoria (20%), WA (5%), Tasmania (3%) and SA (2%) (ABS).

Figure 48: Australian beef and veal production

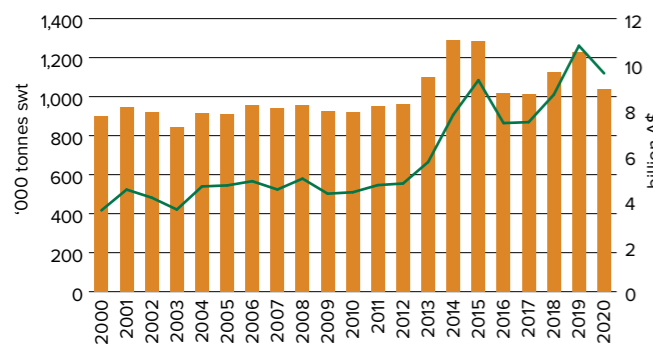


Source: ABS

Beef exports

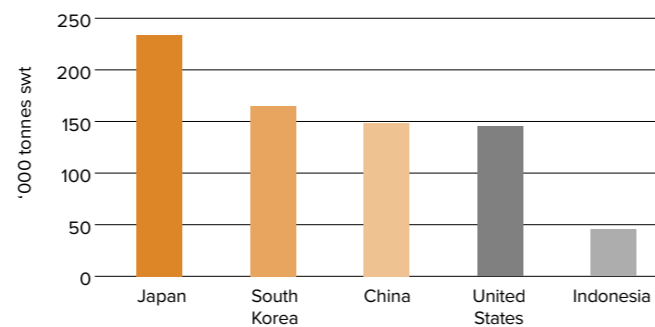
- In 2021, Australian beef exports totalled 888 million tonnes swt, down 16% year-on-year (Figure 50) (DAFF).
- Japan remained Australia's largest beef export market (in volume terms) in 2021, totalling 234,000 tonnes swt (Figure 55) (DAFF).
- Japan's market share of Australian beef exports in 2021 was 26%, followed by South Korea (19%) and China (17%) (DAFF).
- The value of Australian beef exports was \$9.2 billion in 2021, a decline of 5% year-on-year (IHS Markit).

Figure 49: Australian beef and veal export volume and value



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

Figure 50: Australia's top five beef export markets (2021)

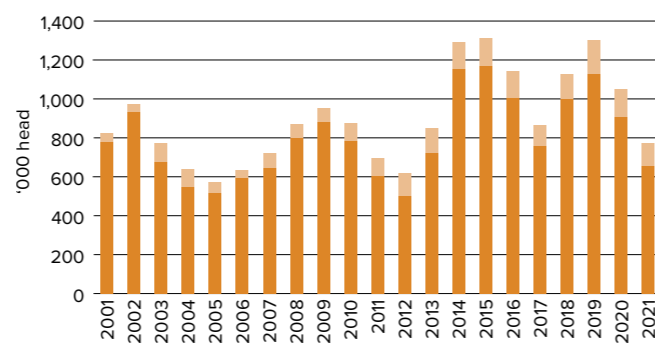


Source: DAFF

Live cattle exports

- Live cattle exports totalled 772,000 head in 2021, down 26% from 2020 (Figure 51) (DAFF, ABS).
- In 2021, feeder and slaughter cattle accounted for 85% of Australia's live cattle exports, followed by breeders at 15% (DAFF, ABS).
- Indonesia was Australia's largest market for live cattle exports in 2021 (52%), followed by Vietnam (22%) and China (13%) (DAFF, ABS).

Figure 51: Australian live cattle exports

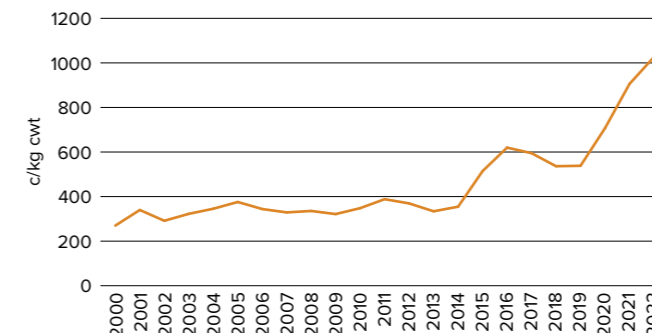


Source: DAFF, ABS

Saleyard prices

- The national trade steer saleyard indicator (330–400kg) saw a 38% year-on-year increase to average 905¢/kg cwt in 2021 (Figure 52), 38% above the five-year average (MLA NLRS).
- The national heavy steer saleyard indicator (500–600kg) averaged 749¢/kg cwt, 19% higher than the previous year and 27% above the five-year average (MLA NLRS).
- The national medium cow saleyard indicator (400–520kg) increased 17% year-on-year to average 633¢/kg cwt in 2021, 30% above the five-year average.
- In the 2021 calendar year, the benchmark Eastern Young Cattle Indicator (EYCI) averaged 962¢, this was 30% or 222¢/kg cwt higher than the 2020 calendar year.
- The indicator reached a record on January 24 2022 at 1,191¢/kg cwt and has since declined as the 2022 calendar year progresses.

Figure 52: National trade steer saleyard indicator

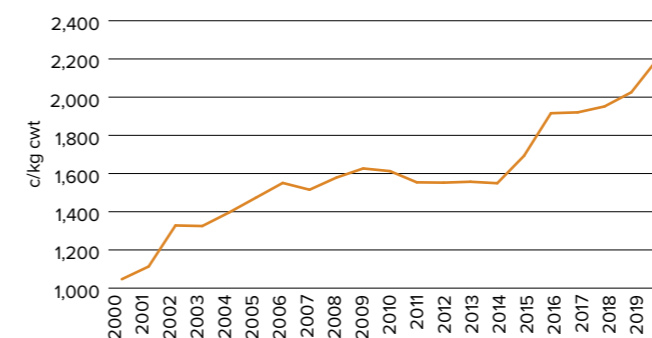


Source: MLA NLRS

Retail price

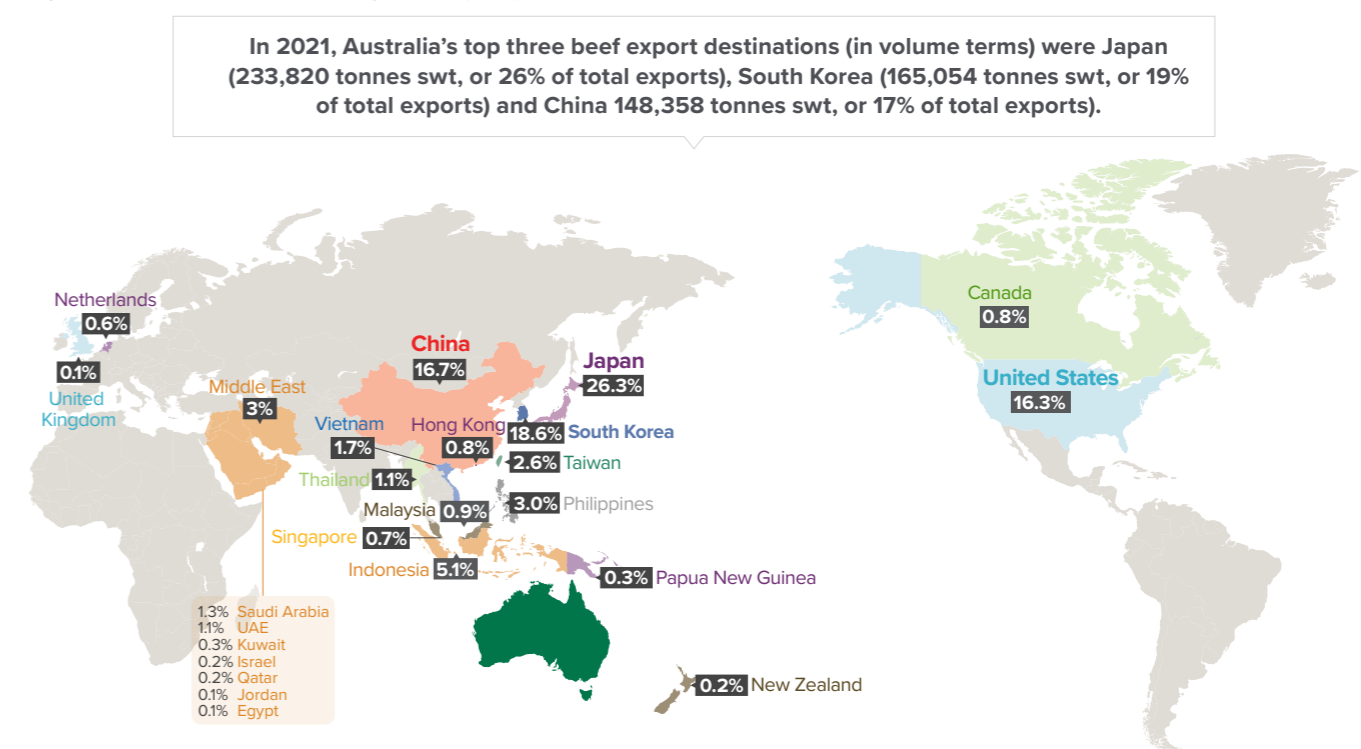
- The national beef retail price indicator averaged 2,349¢/kg rwt² in 2020–21 (see Figure 53), 9.5% higher year-on-year (ABS, MLA calculations).

Figure 53: National beef retail price indicator



Source: ABS, MLA calculations

Figure 55: Australian beef exports by volume (2021)

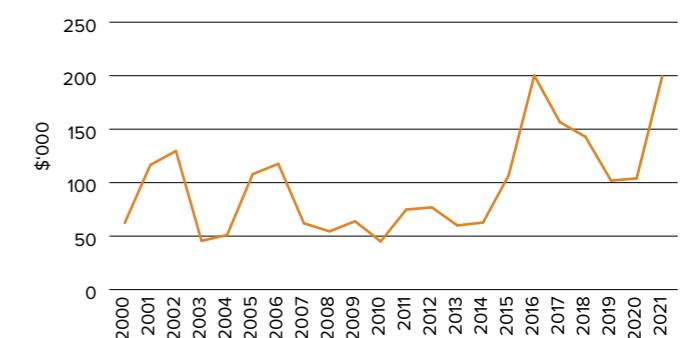


Source: DAFF

Farm financial performance

- While improved seasonal conditions saw a greater retention of stock on farm and higher cattle prices in 2020–21, increasing grain prices saw the rise of input costs. Even though costs jumped, farm profits increase 23% to \$91,452.
- The average farm cash income of Australian beef producers³ was estimated to be \$199,367 in 2020–21, a significant 92% increase on year-ago levels (in real terms) (Figure 54) (ABARES Australian Agricultural and Grazing Industries Survey).
- The average rate of return (excluding capital appreciation) of Australian beef cattle farms increase to 1% in 2020–21 (ABARES).

Figure 54: National average beef farm cash income



Source: ABARES

² 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.

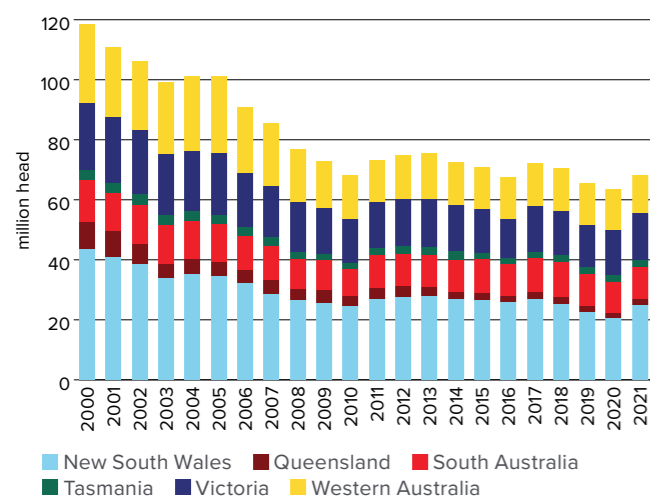
³ The ABARES Australian Agricultural and Grazing Industries Survey includes beef producers with at least 100 head of beef cattle on hand at 30 June.

SHEEP

National sheep flock

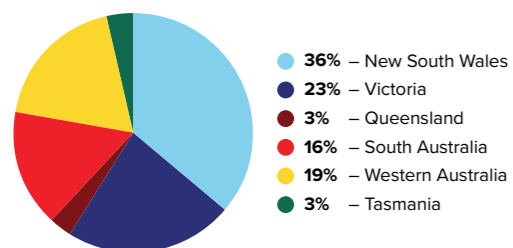
- The national sheep flock comprised 68.04 million head⁴ on 30 June 2021, steady on year-ago levels (Figure 56) (ABS).
- The majority of Australia's sheep population was located in NSW (36%), Victoria (23%), WA (19%) and SA (16%). Tasmania and Queensland each accounted for 3% to make up the remaining 6% (Figure 57) (ABS).
- Breeding ewes (aged one year and over) accounted for 55% of the national flock, while lambs under one year made up 33% (Figure 58) (ABS).

Figure 56: Australian sheep flock



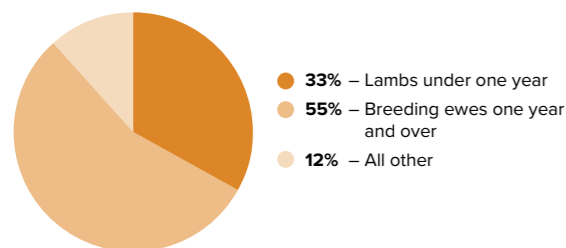
Source: ABS
Note: 30 June Year End

Figure 57: Australian sheep flock by state (2021)



Source: ABS, Data as at June 2021

Figure 58: Australian sheep flock composition (2021)

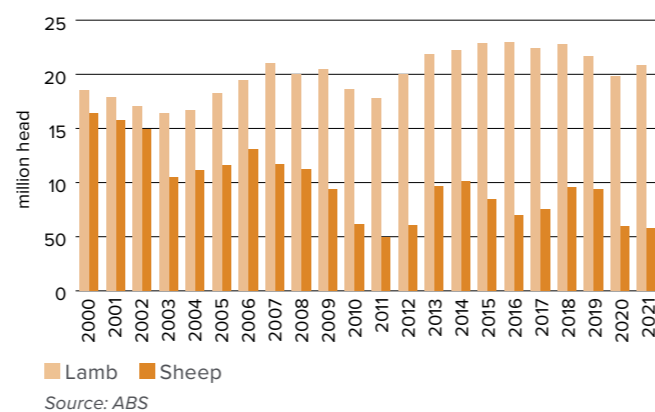


Source: ABS, Data as at June 2021

Slaughter

- In 2021, national lamb slaughter totalled 20.79 million head, holding steady year-on-year with a 1.8% increase but sitting 3.7% below the five-year average (Figure 59) (ABS).
- Sheep slaughter totalled 5.8 million head, back 6% from the previous year and 24% below the five-year average (Figure 59) (ABS).

Figure 59: Australian sheep and lamb slaughter



Source: ABS

Carcase weights

- National lamb carcase weights averaged 24.4kg/head in 2021 (Figure 60), falling 2.6% year-on-year, but 4% higher than the five-year average (ABS).
- Sheep carcase weights increased 4% from 2020 to 26.6kg/head (Figure 60), which is 6% above the five-year average (ABS).

Figure 60: Australian average sheep and lamb carcase weights

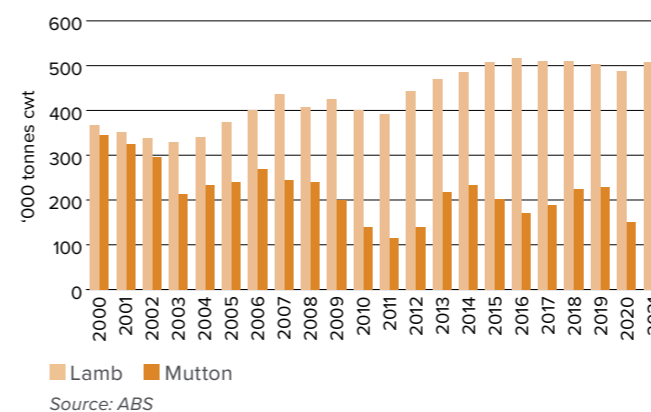


Source: ABS

Production

- In 2021, lamb production in Australia totalled 508,088 tonnes cwt (Figure 61), 1.6% above year-ago levels and relatively steady against the five-year average (ABS).
- Mutton production remained stable year-on-year, easing by 1.6%, totalling 154,885 tonnes cwt (Figure 61), 19% below the five-year average (ABS).
- Total sheepmeat production (lamb and mutton) was 662,973 tonnes cwt in 2021, only 1% above year-ago levels (ABS).

Figure 61: Australian sheepmeat production

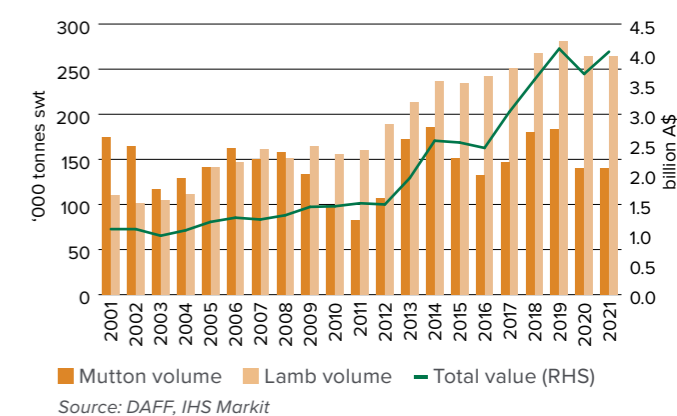


Source: ABS

Sheepmeat exports

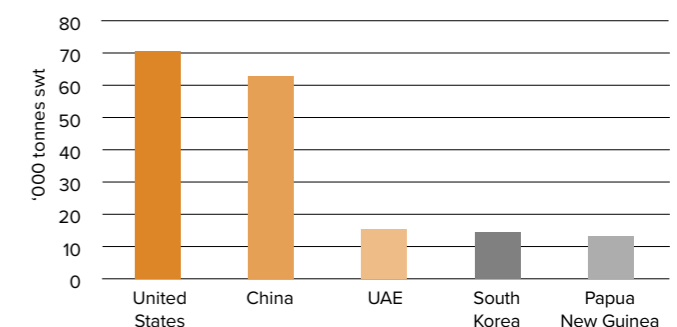
- In 2021, Australian lamb exports totalled 264,823 tonnes swt, holding firm year-on-year and steady with the five-year average (Figure 62) (DAFF).
- The US overtook China as Australia's largest lamb export destination in 2021 (in volume terms), at 70,606 tonnes swt, followed by China at 62,882 tonnes swt (Figure 63) (DAFF).
- The United Arab Emirates (UAE) saw a marginal decline in lamb exports, with 15,263 tonnes swt exported in 2021, although it remains the third largest export destination for Australian lamb.
- Australian mutton exports were 140,617 tonnes swt in 2021, up marginally year-on-year and down 11% on the five-year average (Figure 64) (DAFF).
- Mutton exports to China (in volume terms) rose by 3% year-on-year to 57,343 tonnes swt (Figure 64) (DAFF).
- The other key export destinations for Australian mutton were the US (22,743 tonnes swt) and Malaysia (16,881 tonnes swt) (Figure 64) (DAFF).
- The value of Australian sheepmeat (lamb and mutton) exports in 2021 was \$4 billion, up 10% from the previous year (Figure 69) (IHS Markit).

Figure 62: Australian sheepmeat export volume and value



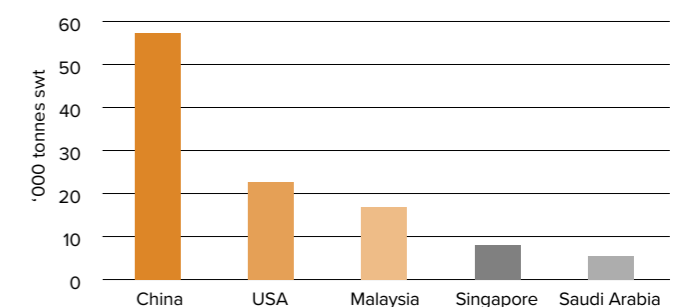
Source: DAFF, IHS Markit

Figure 63: Australia's top five lamb export markets (2021)



Source: DAFF

Figure 64: Australia's top five mutton export markets (2021)



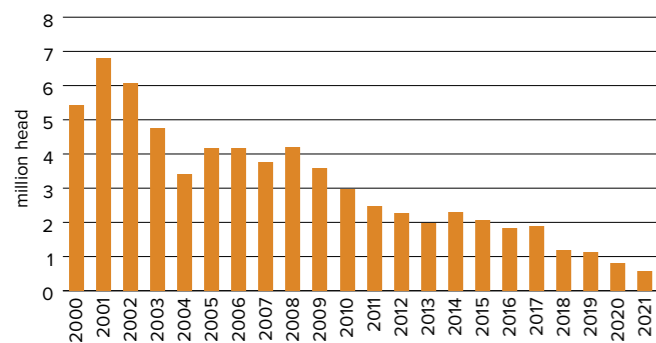
Source: DAFF

⁴ 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.

Live sheep exports

- In 2019, Australian live sheep exports totalled 575,500 head, down 29% on the previous year (Figure 65) (ABS, DAFF).
- Kuwait remained as Australia's largest destination for live sheep exports in 2021, accounting for 60% of exports, followed by the UAE at 13% (DAFF).

Figure 65: Australian live sheep exports

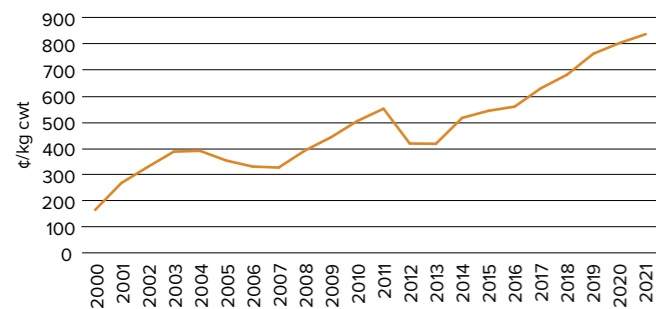


Source: DAFF

Saleyard prices

- The national trade lamb saleyard indicator (18–22kg) averaged 853¢/kg cwt in 2021 (Figure 66), 6% above the previous year and 14% higher than the five-year average (MLA NLRS).
- In 2010, the national mutton saleyard indicator (18–24kg) increased 5% year-on-year to 638¢/kg cwt, 20% above the five-year average (MLA NLRS).

Figure 66: National trade lamb saleyard indicator

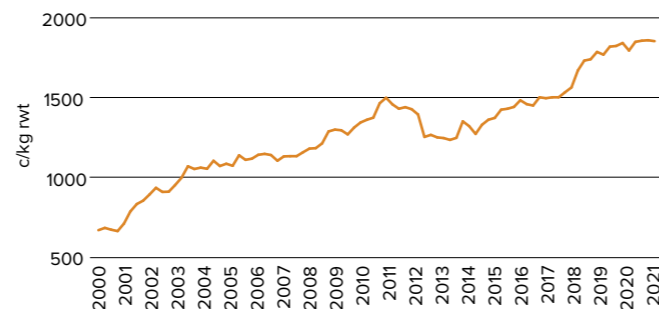


Source: MLA NLRS

Retail prices

- The average lamb retail price indicator was estimated at 1,836¢/kg rwt⁵ in 2020–21, up 2% year-on-year (Figure 67) (ABS, MLA calculations).
- The lamb producer share of the retail dollar was estimated at 31.1% in 2018–19, a 1.8 percentage point increase from 29.3% in 2017–18 (ABS, MLA calculations).

Figure 67: National lamb retail price indicator

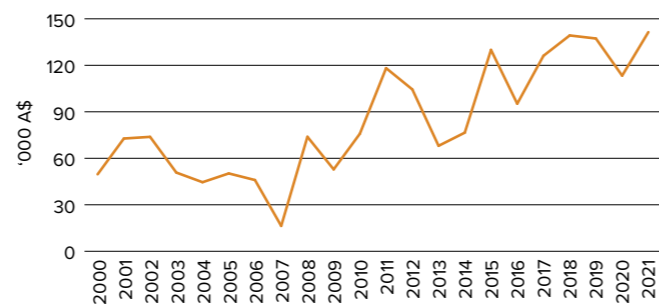


Source: ABS, MLA calculations

Farm financial performance

- The average farm cash income of Australian slaughter lamb producers⁶ was estimated at \$124,700 in 2020–21, a 24% increase year-on-year (in real terms) (Figure 68) (ABARES Australian Agricultural and Grazing Industries Survey).
- The average rate of return (excluding capital appreciation) of Australian sheep producing farms increased from 0% in 2019–20 to 1% in 2020–21 (ABARES).
- The increase in farm financial performance in recent years has been driven by strong rises in sheep and lamb prices, despite a decline in throughput as the national flock rebuild occurs.

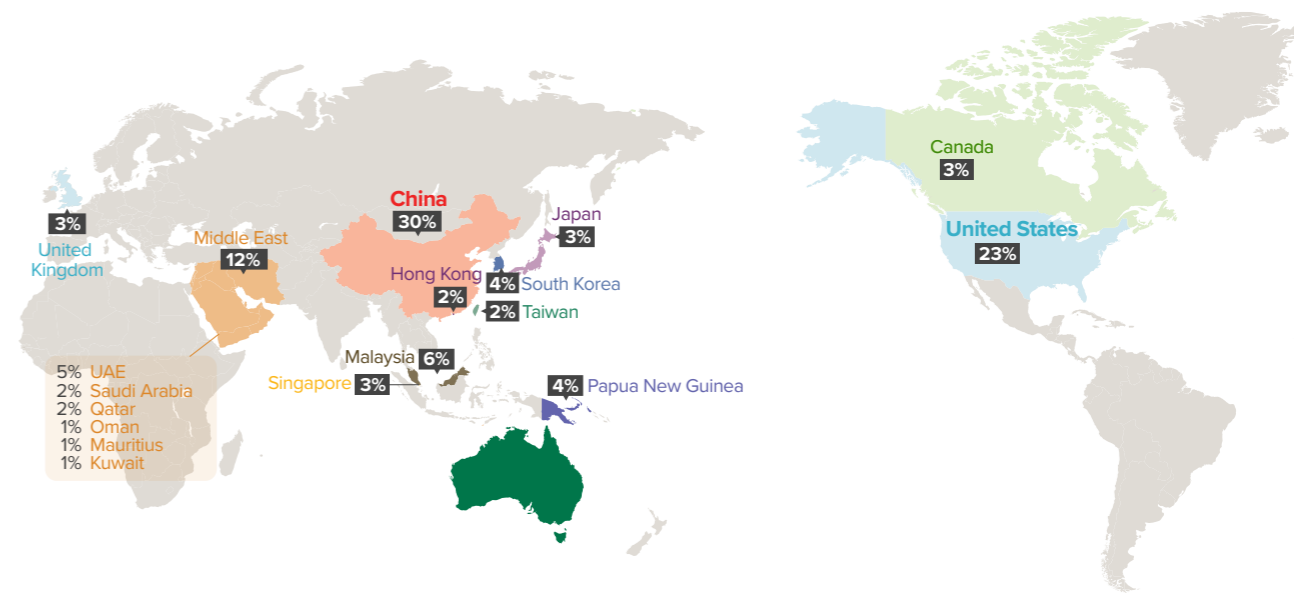
Figure 68: National average sheep farm cash income



Source: ABARES
Note: This data is in real terms

Figure 69: Australian sheepmeat exports by volume (2021)

In 2021, Australia's top three sheepmeat (lamb and mutton) export markets were China (120,224 tonnes swt, or 30% of total exports), the US (93,349 tonnes swt, or 23% of total exports), and Malaysia (25,819 tonnes swt, or 6% of total exports).



Source: DAFF



⁵ 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.

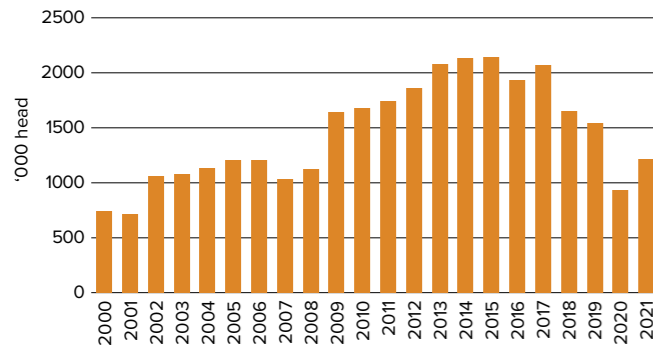
⁶ The ABARES Australian Agricultural and Grazing Industries Survey includes producers that sold at least 200 lambs for slaughter.

GOAT

Slaughter

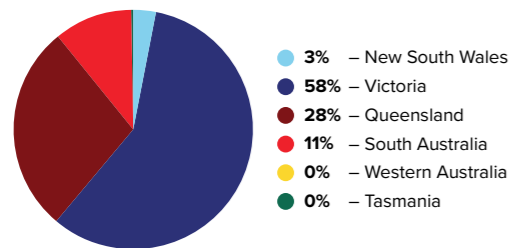
- Australian goat slaughter totalled 1,210,837 head (Figure 70) in 2021, up 30% year-on-year (ABS).
- In 2021, goat slaughter in Victoria increased 42% to 701,713 head, while Queensland increased 24% to 339,833 head, SA increased 5% to 129,757 head, NSW strengthened 25% to 38,540 head and WA declined sharply by 92% to 917 head (Figure 71) (ABS).

Figure 70: Australian goat slaughter



Source: DAFF

Figure 71: Australian goat slaughter by state (2021)



Source: DAFF

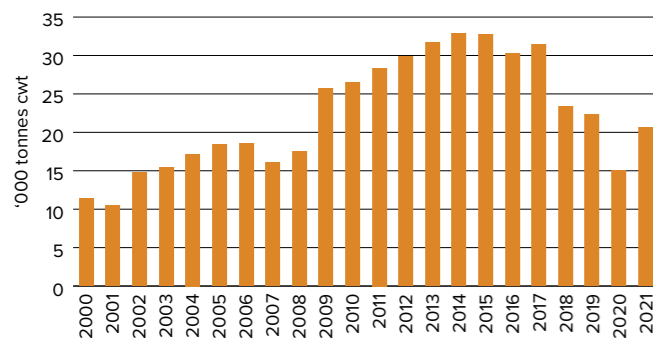
Carcase weights

- Australian goat carcase weights averaged 17 kg/head in 2021, increasing nearly 1kg year-on-year (ABS).

Production

- Goatmeat production increased 37% to 20,603 tonnes cwt in 2020 (Figure 72), (ABS).

Figure 72: Australian goatmeat production

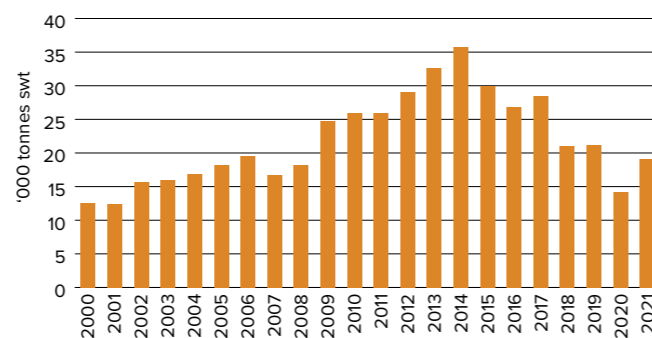


Source: DAFF

Goatmeat exports

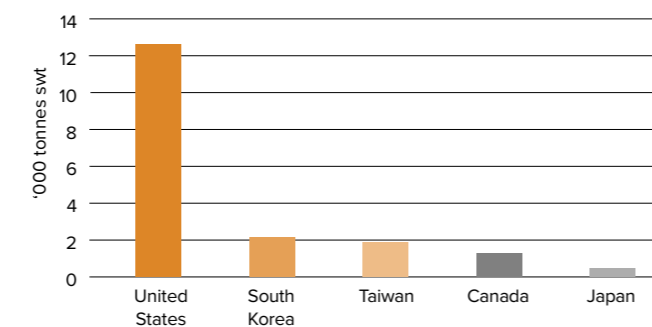
- Australian goatmeat exports totalled 19,046 tonnes swt in 2021, up 35% on the year prior (Figure 73) (DAFF).
- The US remains the largest destination for goatmeat, accounting for 66% of exports or 12,589 tonnes swt in 2021 (Figure 74) (DAFF).
- South Korea overtook Taiwan as Australia's second largest export market for goatmeat in 2021, taking 11%, or 2,128 tonnes swt in 2021 (DAFF).

Figure 73: Australian goatmeat export volumes



Source: DAFF

Figure 74: Australia's top five goatmeat export markets (2021)



Source: DAFF

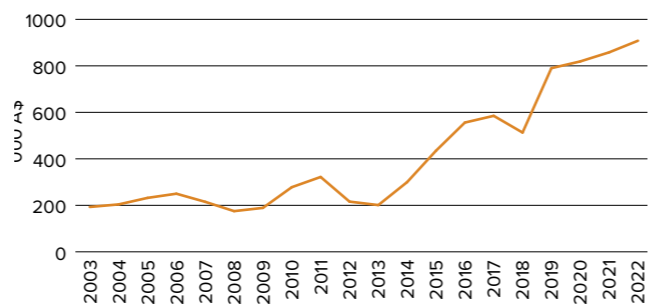
Live goat exports

- In 2021, Australian live goat exports rose 43% to 12,018 head, with Malaysia continuing to be a key export market (DAFF, ABS).

Over-the-hooks indicators

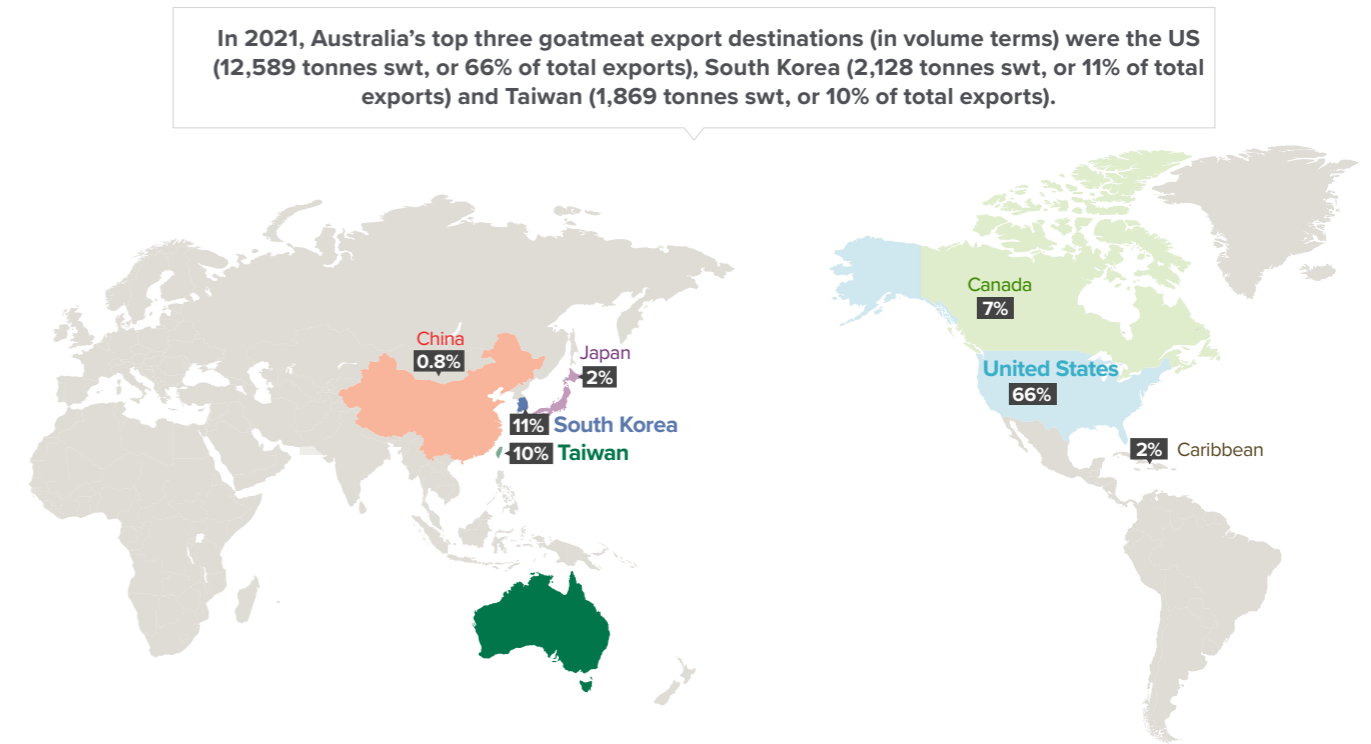
- Goat over-the-hooks indicators (12–16kg) averaged 858¢/kg cwt in 2021, an increase of 5% from the previous year (Figure 75) (MLA NLRS).

Figure 75: Eastern states Over-the-hook goat indicator (12–16kg)



Source: MLA NLRS

Figure 76: Australian goatmeat exports by volume (2021)



Source: DAFF



Key issues snapshots

■ WILL GLOBAL SHIPPING AND FREIGHT CHALLENGES AFFECT AUSTRALIAN RED MEAT EXPORTS?

Supply chain disruptions have been a global issue since the onset of COVID-19 in early 2020.

Australian cattle and sheep producers have been somewhat shielded from this as the herd and flock rebuild has limited export supply since late 2019. However, as the rebuild matures and producers seek to capitalise on high prices, supply chain disruptions may become more apparent.

Supply chains have faced difficulty throughout the COVID-19 pandemic as shifting consumer patterns, lockdown-induced labour shortages in ports and logistics networks, and additional stressors such as the Suez Canal blockage led to capacity restrictions which slowed throughput and raised prices. In September 2021, the Freightos Baltic Index peaked at \$15,012 per container, roughly 700% higher than the 2008–2019 average price.

After a peak in 2021, prices eased in 2022 to levels that – while elevated compared to the historical average – are more manageable. Port congestion remains but is now less uniform, driven more by local factors than the universal disruption generated by lockdowns in the first two years of the pandemic. At the same time, progress is being made in terms of boosting container capacity and legislation has been passed in the US that may improve supply chain resilience in the longer term.

Port disruption in China

The greatest source of disruption to freight in 2022 was the lockdown of Shanghai in response to COVID-19. This had a considerable impact on Australian exporters sending product into China or North Asia more broadly, although freight forwarders were able to pivot to alternative ports and carriers rescheduled calls. While other ports have faced disruption in China due to COVID-19, Shanghai has historically been the main port for Australian exporters. In 2021, Shanghai processed over 50% of Australian beef entering China.

Over the first half of 2022, beef exports to the Port of Shanghai declined 47% year-on-year, even as exports to China overall rose 1%. Meanwhile, beef exports to the Port of Tianjin rose 107% year-on-year in the first six months of 2022, while exports to the port of Qingdao rose 375%. Exports to the Port of Ningbo also surged by an astonishing 3,265%, from 161 tonnes to 5,419 tonnes.

Today, disruption at ports in China appears to be easing as conditions in Shanghai improve. While in May 2022 exports to the port of Shanghai were down 81% year-on-year, in June, this eased to a 31% drop year on year. However, the productivity of ports will remain vulnerable to local responses to future COVID-19 outbreaks.

Container prices

While challenges remain for exporters, increased refrigerated container prices have benefited major shipping lines, which have posted record-high profits over the past two years.

A large portion of that windfall has been invested into expanding capacity and vertically integrating the shipping business. For instance, CMA CGM has purchased a large share in Air France-KLM as part of an alliance designed to move into airfreight, while Evergreen currently has orders outstanding that would increase capacity by over 450,000 twenty-foot equivalent units (TEU).

Regulation increases for US ocean shipping

Increased capacity is expected to begin impacting container supply in late 2022 and into 2023. While this is still set to be the case, difficulties in other parts of the supply chain are impacting overall capacity and may impact the delivery pipeline more broadly. Maersk has reported difficulties sourcing parts for ship repairs, while global shortages in semiconductors and other advanced parts are impacting construction of new ships.

Although increased capacity will bring prices down in time, the US Federal Government recently passed legislation which aims to resolve some of the structural issues in the ocean shipping market. The *Ocean Shipping Reform Act of 2022* (OSRA) was passed in June, and primarily aims to address concerns related to market concentration that have previously fallen outside the scope of anti-trust regulation. Currently, three ‘alliance’ networks of shipping companies have a 90% market share in the US shipping market.

Provisions relating to information sharing, mandatory reporting of delays, limiting ‘unjust’ fees, prohibiting certain forms of anticompetitive behaviour, and mandating public disclosure of violations are all included in the act, alongside funding for enforcement of these new requirements.

Additionally, there are provisions for the adoption of newer technologies at ports to improve throughput, and the Department of Transportation has been directed to study US supply chains and examine potential gaps in data collection that could improve the movement of cargo and create efficiencies.

The effect of these changes – and whether other countries follow suit – remains to be seen, and as some of the provisions have a phase-in period of up to three years, the changes will not be immediate. Nevertheless, the importance of American trade flows to the global economy ensures that these changes will likely have global implications over the coming years.

■ HOW WILL CHANGES IN THE AMERICAN PRODUCTION CYCLE AFFECT GLOBAL DEMAND FOR AUSTRALIAN RED MEAT?

Most major red meat producers are primarily focused on their domestic markets. In 2021, only 18% of global production was exported. Previously, this has been even lower, with only 10–15% of product exported in the 2000s. Australia is unusual in this regard, exporting between 65–75% of its red meat each year.

As such, Australian cattle prices are heavily affected by demand in the global market. This has been made especially clear over the past few years as despite rising supply from the US and Brazil, demand from the rapidly growing Chinese consumer base has ensured that prices continue to grow.

The recent increase in exports from the US is particularly significant. As the world’s largest producer and consumer of red meat, it occupies a crucial role in the global market. When US production rises, it exports the surplus, but when production drops, it becomes a major importer.

Moreover, the US has a similar production cycle to Australia, only it is reversed. When Australia is in drought, the US tends to be in a rebuilding period. Conversely, when Australia is in a herd rebuild, such as it is now, the US is often in drought and sees large increases in production.

This dynamic was experienced in 2021, when the US exported 1.1 million tonnes of beef – a record amount it is set to exceed in 2022. Part of this is due to improved market access in China, but the main driver has been severe droughts across the south and south-west of the country.

At the same time, Australia is amid a sustained herd rebuild, limiting supply and reducing export volumes. This fall is transient, and as the rebuild matures, growth in production and exports will be seen.

Given this dynamic, the next few years are looking positive for Australian producers in the global market. Falls in American production will decrease supply, creating demand that can be met by Australian exports. Globally, protein demand is still high, meaning that Australian exports are likely to attract solid prices worldwide.

This dynamic is especially important in Japan and South Korea, two of Australia’s two largest export markets. Both markets have stringent rules around food safety that restrict trade with many major red meat exporters, making Australia and the US the two largest exporters in those markets. Given they are both relatively high-value markets, opportunities exist for Australian exporters to supply large volumes of red meat at attractive prices.

At the same time, the fall in US production means that Australia will have an important role to play in supplying the US with manufacturing beef while growing the market for high quality Australian Wagyu and lamb – two newer markets that represent a large opportunity for Australian producers.

Despite current global uncertainty, demand for high-quality protein has never been higher. As the Australian red meat industry shifts into a period of high exports, it will meet a period of high demand that will enable the industry to supply consumers around the world with high quality product.



■ HOW DOES THE RED MEAT INDUSTRY ADDRESS THE CURRENT AND FUTURE LABOUR SHORTAGES?

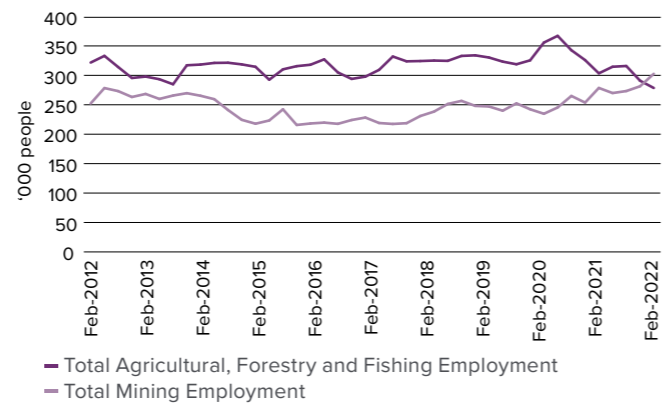
Labour issues in Australia have been prevalent even before the COVID-19 pandemic. The latest labour report released by the Reserve Bank of Australia (RBA) revealed unemployment is currently at 3.5% – its lowest since 2008. This is with an employment growth of 3.3% as of July 2022 (Source: RBA).

With over 85% of Australia's population living within 50km of the coast, access to labour supply in rural and regional areas – where most of the red meat industry's operations occur – is extremely limited. The competition between other industries in those rural areas, such as construction and mining, thins the pool of available labour even further.

The number of people employed in the agricultural sector has been declining after reaching a peak in November 2020. Over time, other industries have drawn a larger share of the labour force due to attractive compensation as compensation within these jobs increases rapidly.

The number of people employed in the agriculture sector declined in the first two quarters of 2022 and has now dropped below employment figures for the mining sector. In May, it was recorded that 278,500 people were employed across the entire agriculture industry.

Figure 77: Number of people employed in the agricultural and mining industries.



Source: ABS

The Australian Government hosted the Jobs and Skills Summit in September 2022 in an attempt to address the labour shortage and skills shortage in Australia. This Summit aimed to improve immigration of labour and skilled labour into Australia to fill the gaps in industries of need, such as foodservice and agriculture.

Consistent absenteeism and a distinct lack of new labour has put pressure on all aspects of the supply chain – and most particularly in the processing sector, where capacity has been significantly limited due to labour shortages.



■ HOW HAS THE LIVESTOCK SELLING ENVIRONMENT CHANGED?

The past few years have seen significant changes in the dynamics of how livestock are bought and sold in Australia, with a steady shift from traditional marketing methods to more advanced online platforms.

Livestock selling systems play a critical role in the agricultural industry supply chain. Producers are faced with deciding what selling system to use every time they look to make a purchase or sale.

Restrictions during COVID-19 lockdowns have driven the uptick in the popularity of online platforms. This has been supported by huge technological advancement across the industry that has driven the scalability of these platforms. Aside from the convenience, providing an environment that tries to mimic being physically present at a saleyard is one of the main goals of online platforms. Photos, videos, sound, livestreams, pre-assessments of livestock and information catalogues are all key resources these platforms must provide to enable producers to make a confident purchase online and have trust in these digital platforms.

However, there's no doubt that being physically present at a saleyard cannot be replaced. This traditional method of marketing livestock will always remain an option, despite trends towards larger, more centrally located saleyard facilities.

Previous research has established the huge economic benefits that saleyards bring to rural and regional communities across Australia, however the value of saleyards runs deeper than just adding economic value to the livestock industry. Sale days also offer extensive social interaction that online platforms cannot compete with.

The Australian Livestock Markets Association (ALMA)'s recent research into the social value of saleyards for rural communities found saleyards are an essential local hub for socialising, keeping up with market trends and giving back to the community. It also noted that producers felt isolated when they couldn't attend saleyards due to COVID-19 restrictions and this had an impact on their personal wellbeing. This research will be a valuable tool in shaping future government policy and funding direction for saleyard facilities.

The emergence of different livestock marketing platforms will allow producers to respond to the many future opportunities and disruptions typical of the agricultural industry. Transparency across the supply chain remains a challenge, however, giving producers options in how they buy and sell livestock is crucial for a healthy, competitive supply chain.



■ HOW WILL RISING COSTS IMPACT THE ECONOMIC OPERATING ENVIRONMENT OF AUSTRALIA'S RED MEAT INDUSTRY?

Being a heavily export-focused industry that exports over 60% of our product, it is critical that the red meat sector is cost competitive on a global basis. This is to ensure Australia does not lose market share to other nations exporting red meat.

The Australian red meat industry has the goal to halve the cost of industry compliance and regulation by 2030. This goal is outlined in Red Meat Advisory Council's Red Meat 2030.

In 2022, Australia is battling inflationary pressures that are causing input costs prices to rise. Therefore, it is critical that regulatory costs are not imposed on the industry unnecessarily.

Regulatory costs

A paper released by the Department of Agriculture, Fisheries and Forestry (DAFF) outlined the regulatory costs for the meat export and live export sectors, which are expected to total \$76.55 million and \$21.47 million respectively.

DAFF is seeking to reduce the quantum of their regulatory costs. However, abattoirs and live exporters will be required to contribute to these costs of nearly \$100 million each year through a cost recovery mechanism.

Inflation

In addition to regulatory costs, the red meat sector is currently combatting rising inflation and increasing input costs.

Inflation has risen 6.1% in the 12 months to June 2022 – the highest annual inflation rate since 1990. The impact of the currently high inflation rate is that consumers are paying more for retail goods, businesses have higher input costs and interest rates are likely to rise to curb the use of credit and spending.

The main drivers behind the current inflation rises are:

- high global energy prices due to Russia's invasion of Ukraine
- logistical issues caused by global shipping bottlenecks
- a stronger than expected economic recovery from COVID-19
- ongoing supply pressures, resulting from the COVID-19 lockdowns that caused many factories to close for extended periods of time.

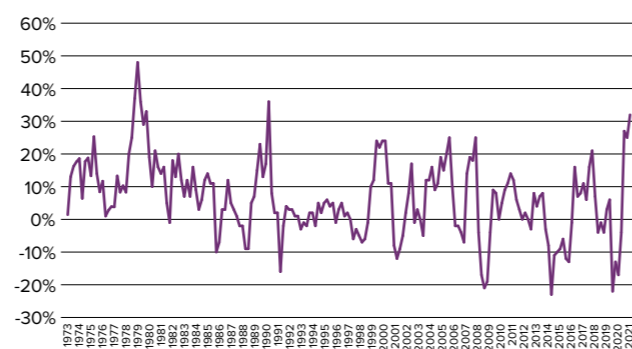
For red meat producers, the major expenses (excluding the purchase of livestock) are fuel, fertiliser, labour and interest repayments. Below, the impact of these costs on red meat businesses is outlined.

Fuel

Transport is the expense category that has experienced the biggest price rise in the last 12 months, jumping 13% since June 2021.

The cost of fuel is a major component behind the rise in transport costs in Australia. Globally, oil prices are experiencing their third biggest annual change on a percentage basis since at least 1973 – rising over 30% in the year.

Figure 78: Annual movement of automotive fuel (%)



— Fuel % Change (Year on Year)

Source: ABS

On 30 March 2022 the Australian Government cut the federal fuel excise by 22¢, providing some relief to fuel prices. However, this full fuel excise rate is scheduled to be reinstated on 25 September 2022 to add to fuel costs in the final quarter of the 2022 calendar year.

The red meat industry has a high reliance on fuel, both on-farm and to transport product to feedlots, processors and retailers. If fuel prices continue to rise, the retail price of meat may increase even if livestock prices do not as fuel, transport and energy are all input costs along the supply chain.

On-farm costs

According to the ABARES 2021 Farm Performance data, the biggest costs for livestock and broadacre farms are:

- imputed labour (owners' is wage not paid)
- fuel and oil
- interest
- wages
- insurance.

■ HOW IS INDUSTRY ADDRESSING THE INCREASING BIOSECURITY RISKS AUSTRALIA'S LIVESTOCK INDUSTRY IS FACING

Australia's red meat and livestock industry is responding to recent biosecurity risks with practical action to support the work of the Australian Government in protecting Australia from a range of exotic animal diseases.

Industry as a collective is assisting the Department of Agriculture, Fisheries and Forestry (DAFF) with the National Action Plan for lumpy skin disease (LSD) and foot-and-mouth disease (FMD), as well as providing communication and other support to producers to assist with preparedness.

The Industry Taskforce on LSD and FMD (ITLSD & FMD) has been established and is meeting weekly to discuss industry efforts, coordination activities and communications, as well as receive updates from DAFF on what the government is doing to keep LSD and FMD out of Australia and prepare for a response should either disease be detected in Australia.

Additionally, industry is involved in the five working groups that have been established under the ITLSD & FMD which includes:

- Overseas In-Country Support Working Group
- Trade and Protocols Working Group
- LSD/FMD Diagnostic Capability and Vaccine Development Working Group
- Domestic Containment Strategy Working Group
- Communications Working Group.

These working groups are also providing input to the DAFF National Action Plan for LSD and FMD.

MLA, in conjunction with the Australian Government, is working closely with the Indonesian Government and

industry via a biosecurity support program to help control the spread of FMD and LSD in Indonesia. This program provides on-the-ground support to improve the Indonesian feedlot sector's emergency response to these diseases, while also boosting the long-term biosecurity capacity of the Indonesian feedlot sector so it can continue to operate with minimal disruption.

National Farmers Federation (NFF), Animal Health Australia (AHA), the Red Meat Advisory Council (RMAC), MLA and Integrity Systems Company (ISC) have held a regular webinar series on the current LSD and FMD situation and what action producers can take now to prepare.

ISC is hosting a webinar series to provide producers with training on Australia's red meat integrity systems, including:

- using the National Livestock Identification System (NLIS)
- producer's requirements under the Livestock Production Assurance (LPA) program around completing National Vendor Declarations (NVDs) and biosecurity plans.

ISC has also reviewed and updated the LPA Biosecurity Management Plan template to ensure it provides additional biosecurity measures producers can implement. In addition to this, ISC will continue to provide ongoing communication, training and information regarding biosecurity as the organisation responsible for the delivery of Australia's red meat integrity systems.

Other members of industry, including the peak industry councils and state-based farming organisations, are also supporting preparedness and providing practical information, training and resources to communicate activities and actions required of producers.



■ WHAT PROGRESS IS THE AUSTRALIAN RED MEAT INDUSTRY MAKING TOWARDS ITS CN30 GOAL?

The Australian red meat and livestock industry has set the target to be carbon neutral by 2030 (CN30). That means that by 2030, Australian beef, lamb and goat production, including lot feeding and meat processing, will make no net release of greenhouse gas (GHG) emissions into the atmosphere. The CN30 initiative does not require every red meat business to achieve a carbon neutral position.

Currently, the red meat and livestock industry contributes 10.7% of Australia's GHG emissions and has reduced sector emissions by 59.05% since baselines were set in 2005.

MLA aims to reduce industry's total emissions by a further 5% by 2025, through supporting rapid adoption of profitable, low emissions technology and practices from the CN30 portfolio.

Additionally, MLA is investing in practices that will store a further 15 million tonnes of CO₂ across 10 million hectares of Australian grazing land over the next three years.

The CN30 roadmap provides industry with enterprise-level strategy, practices and tools to reduce their carbon footprint and support the industry in achieving carbon neutrality. This roadmap comprises four key work areas – carbon storage, emissions avoidance, integrated management systems and leadership building.

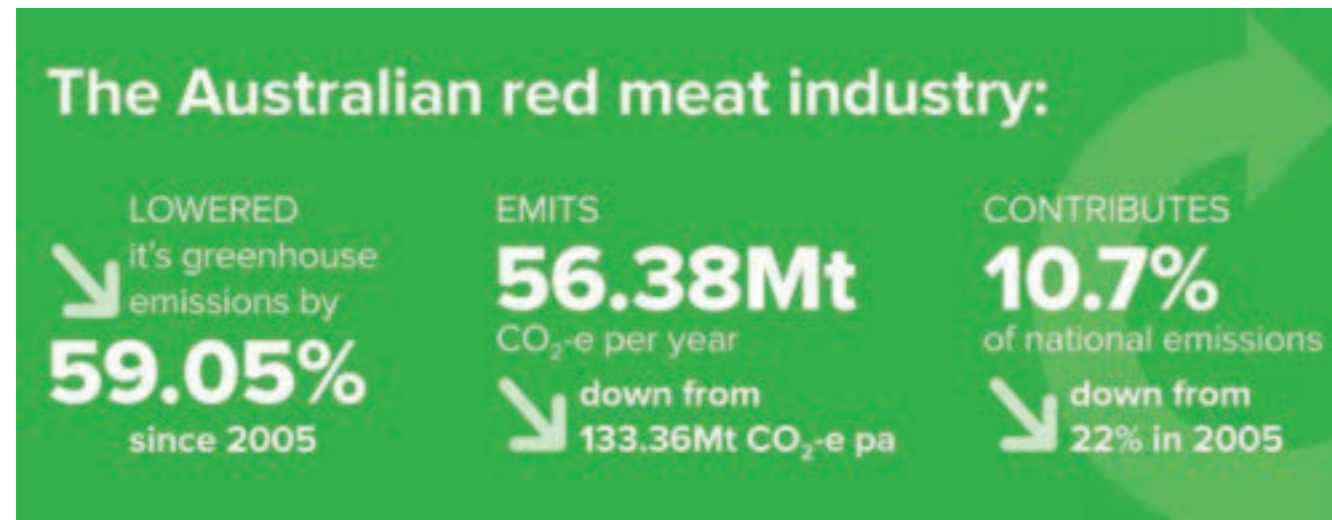
Working with industry, government and research partners, two investment portfolios were developed as part of the CN30 initiative – the Carbon Storage Partnership (CSP) and Emissions Avoidance Partnership (EAP). These investments place a focus on improving productivity without reducing the national herd and flock.

The CSP invests in research and development to increase the amount of carbon stored in soils and trees, which will help offset industry's GHG emissions while delivering co-benefits for productivity and farm performance.

Complimentary to carbon storage, the EAP invests in innovation to substantially reduce GHG emissions from livestock, processing facilities, fodder crop production and fossil fuels. A priority focus of this work area is discovery and commercialisation of novel, methane-reducing feeds and supplements, most notably red Asparagopsis and 3-NOP (Bovaer®). As of June 2022, Asparagopsis seaweed is now commercially available to beef producers, with feedlot studies indicating the inclusion of a small amount in existing feed can reduce methane emissions by at least 80%.

With little over seven years remaining before 2030, commitment from all of industry, correct policy settings and further investment in research, development and adoption will assist the Australian red meat and livestock industry to achieve the goal of carbon neutrality by 2030.

Figure 79: Emission reductions in the Australian red meat industry from 2005 baseline



Source: CSIRO

Figure 80: The red meat industry's path to CN30



Source: MLA and CSIRO

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
DAFF	Department of Agriculture, Fisheries and Forestry
EU	European Union
FAO	Food and Agriculture Organisation
Farm cash income	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
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

Notes





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