



Australia after the floods and the markets in Asia
Jason Strong – MLA Regional Manager Europe

State of play for Australian beef industry

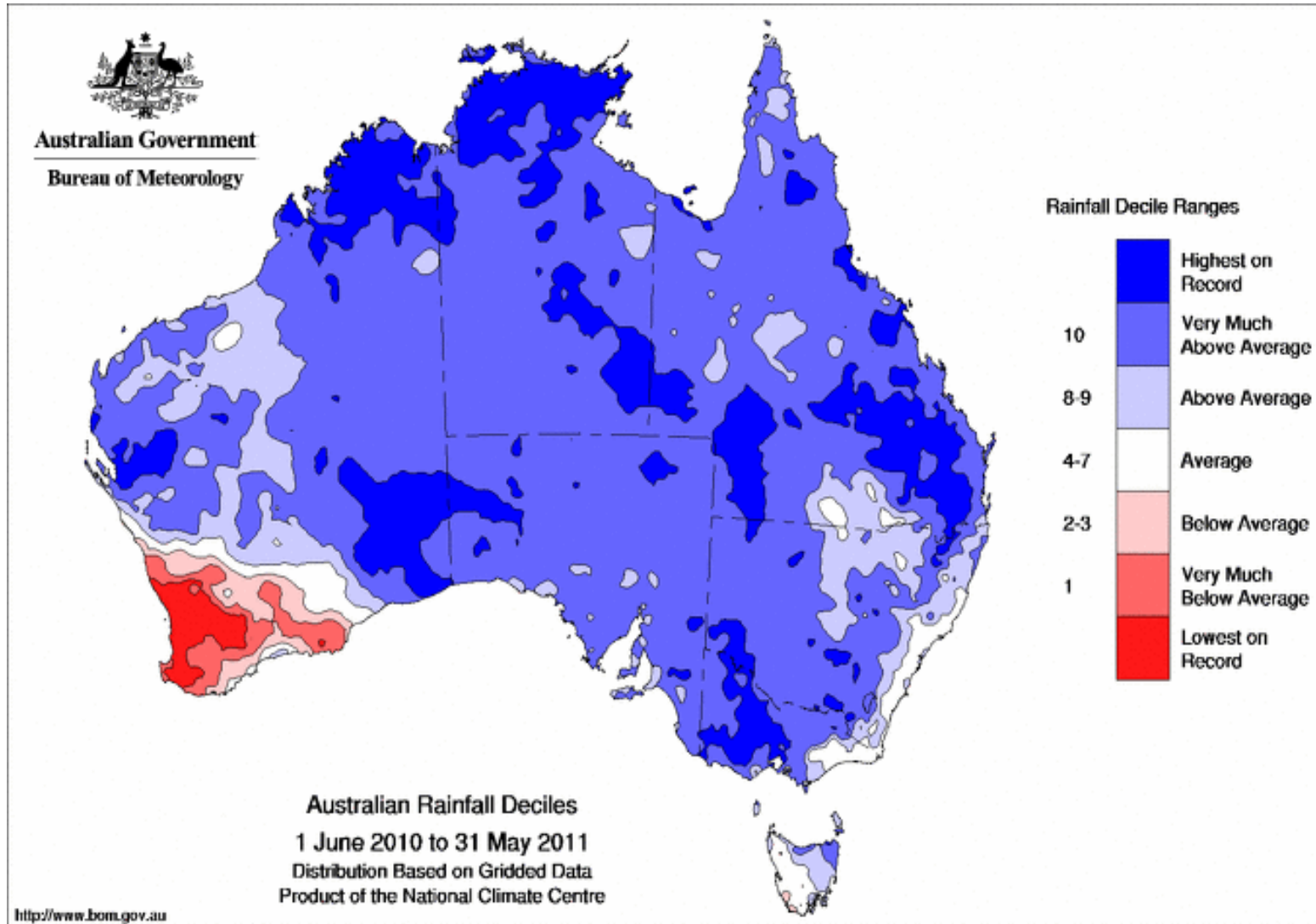


- After a decade of drought, most cattle producing regions are experiencing a very good season.
- Herd rebuilding underway, excellent young cattle prices
- Competition for land in Southern Australia – grain vs sheep vs beef...

BUT....several issues have emerged

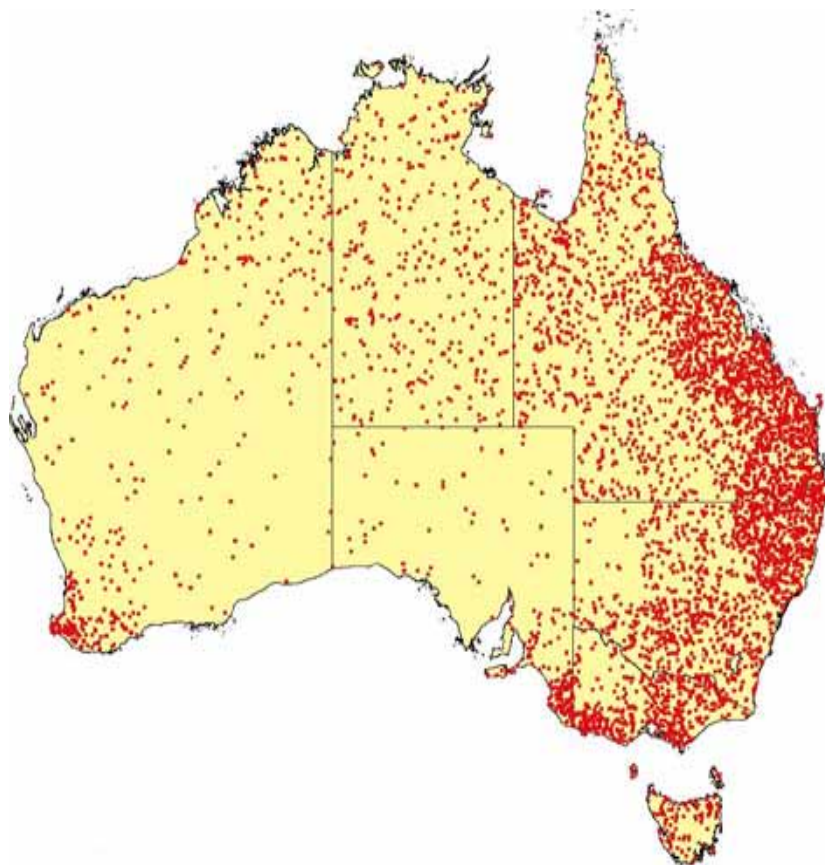
- Slow down in Japan, **high A\$** and competition from the US has hit heavy cattle prices
- Uncertainty for northern cattle producers with live exports
- Global economic concerns, especially to US

Drought replaced by flooding in past year...except in WA



Australian cattle distribution

As at June 2010 26.55 million head



Source: ABS

12 months makes a big difference...



Australian Government
Bureau of Meteorology

2010 Australian Climate Highlights

Northern Australia

- Wettest dry season (May-Oct) on record for top half of continent

NT

- Wettest year on record with 927mm rain

Southwest WA

- Driest year on record with 392mm rain

SA

- 3rd wettest year on record with 362mm rain

Australia

- Third wettest year on record with 690mm rain
- 10 years ending 2010 warmest decade on record
- Sea surface temperatures 0.54° C above average and warmest on record
- Sea surface temperatures warmest decade on record by 0.15° C
- Wettest spring on record for NSW, QLD and NT



Northern Tropics

Spring 2010 has the warmest sea surface temperatures on record

QLD

- Wettest year on record with 1110mm rain
- Major flooding in southern & inland areas

Murray-Darling Basin

- Wettest year on record
- Water storages up to 80% from 27% one year ago

NSW

- 3rd wettest year on record with 805mm rain
- Major flooding in inland areas

VIC

- Major flooding in northern area
- 5th wettest year on record with 858mm rain

TAS

- Near average rainfall

- **Disrupted** cattle flow/slaughter across all states, but impacted Queensland industry the hardest:
 - January = lowest nationally in 22 years
 - February = record Queensland February slaughter
 - March = heavy rain sees further flooding
 - April = Cattle supply disrupted by holidays
 - May = 2nd highest May Queensland slaughter
- **Weight** of cattle offered has been much higher due to the better season in 2010 & so far in 2011.
 - January to April = 286kg/head cwt, up 9kg on 2010

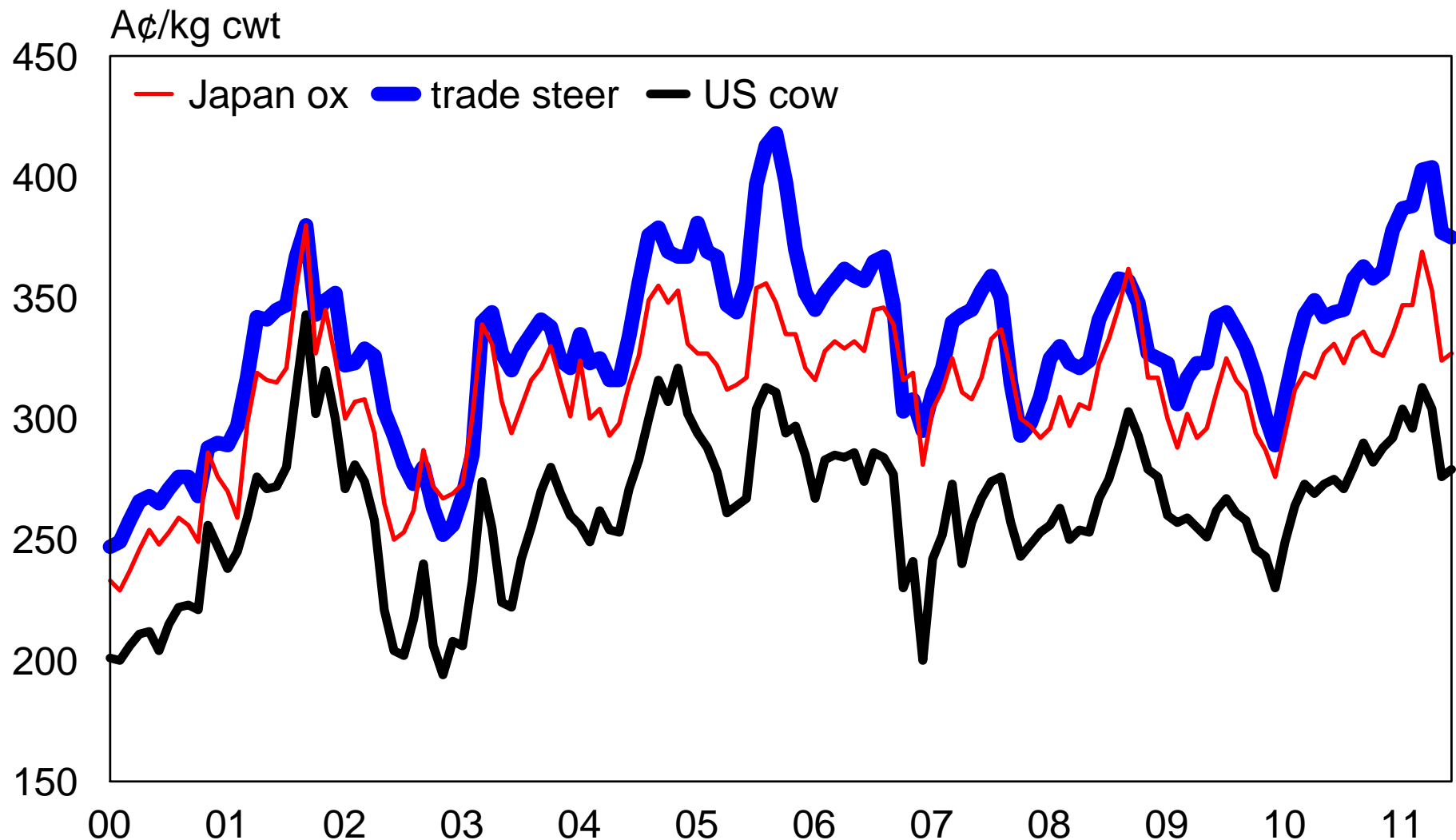
\$\$\$ impact of the flooding

While the break in the drought has been welcome, the heavy rain and flooding during the past year has had significant financial implications:

- Unable to get cattle to market – delayed by up to 9 months in some regions (no road access, no sales)
- Some stock losses – but minimal given extent of flooding
- Damage to roads, fences, pastures etc....

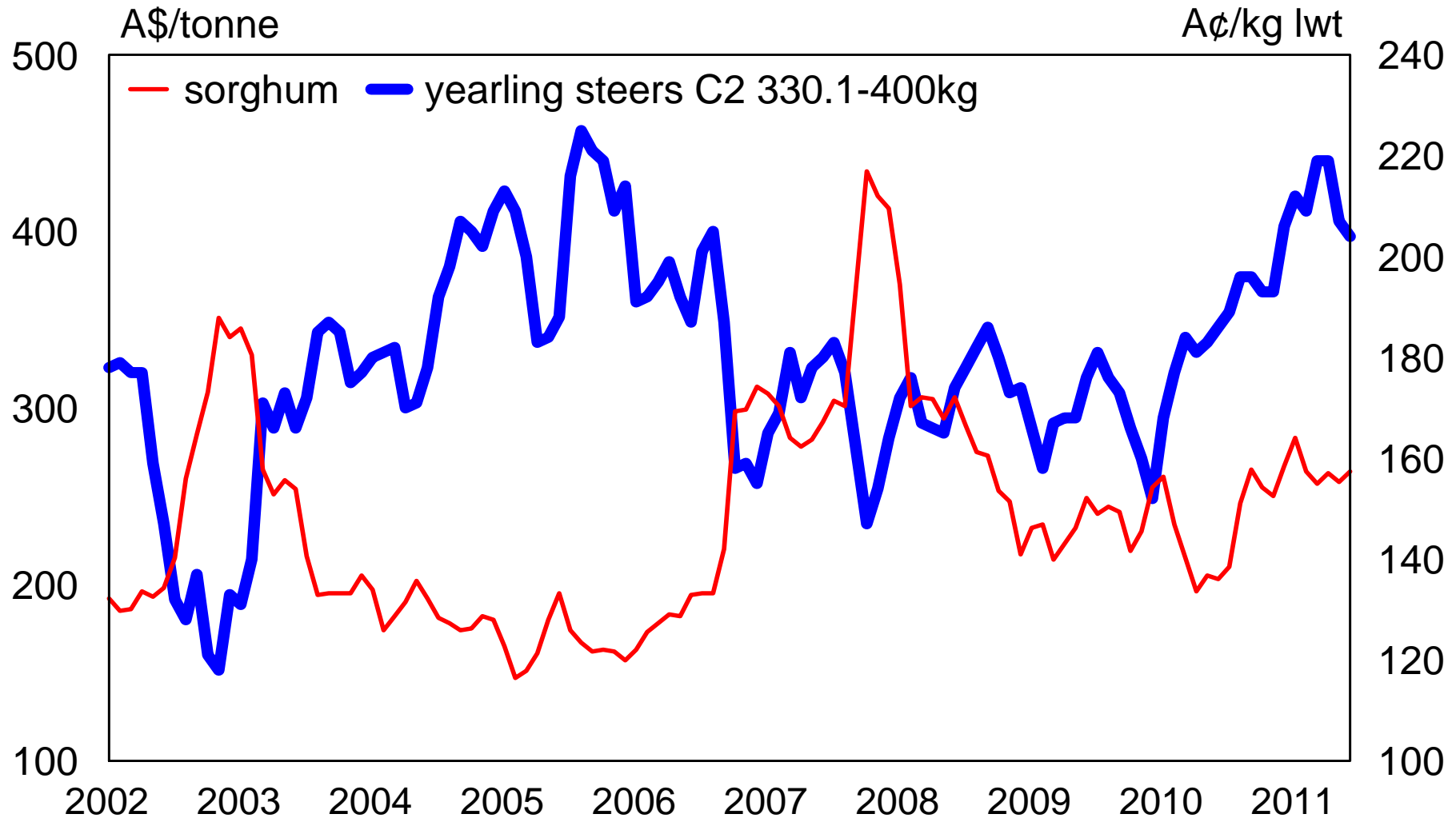


Australian saleyard cattle prices



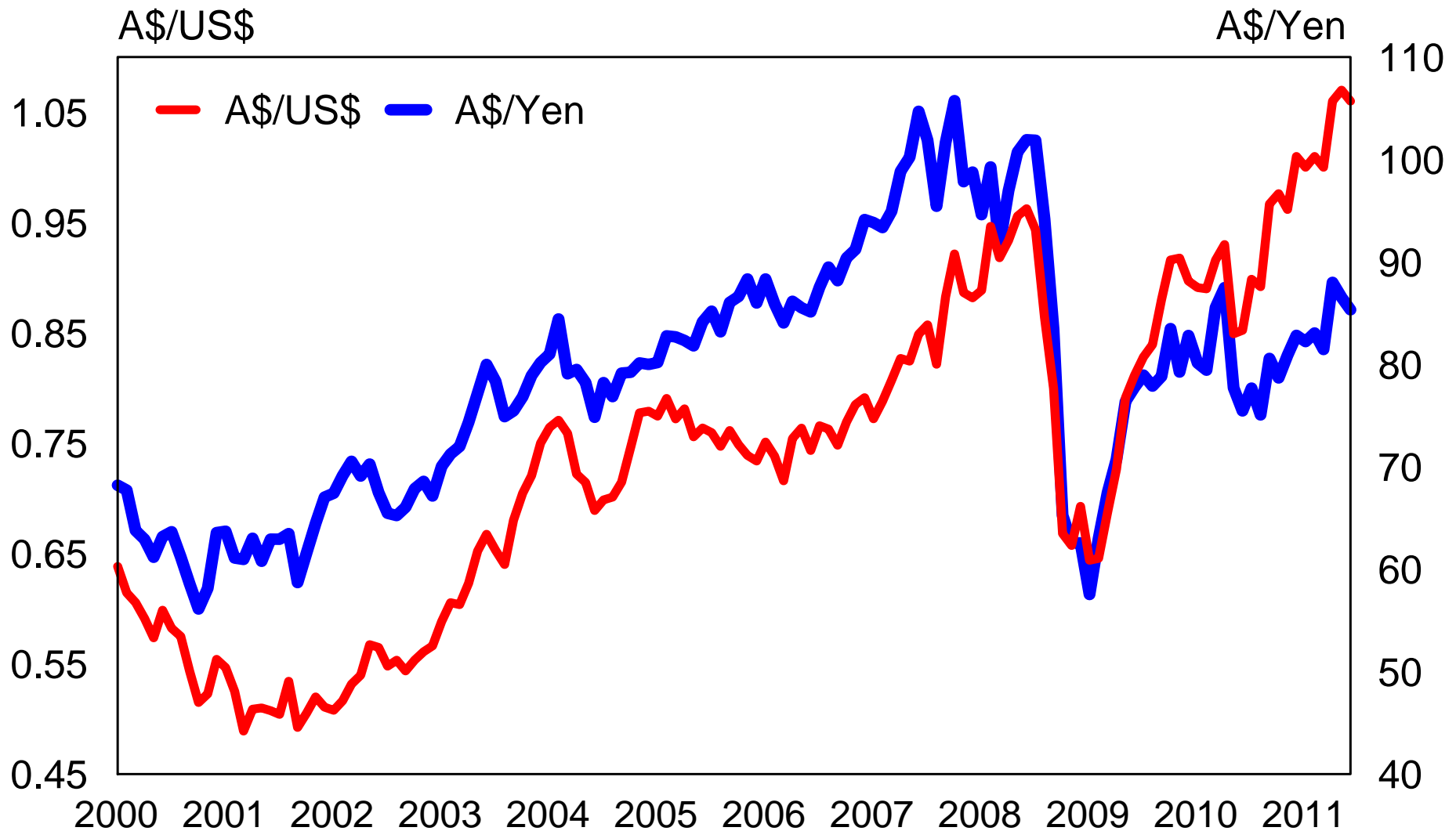
Source: MLA's NLRS

Australian feeder cattle and feed grain prices



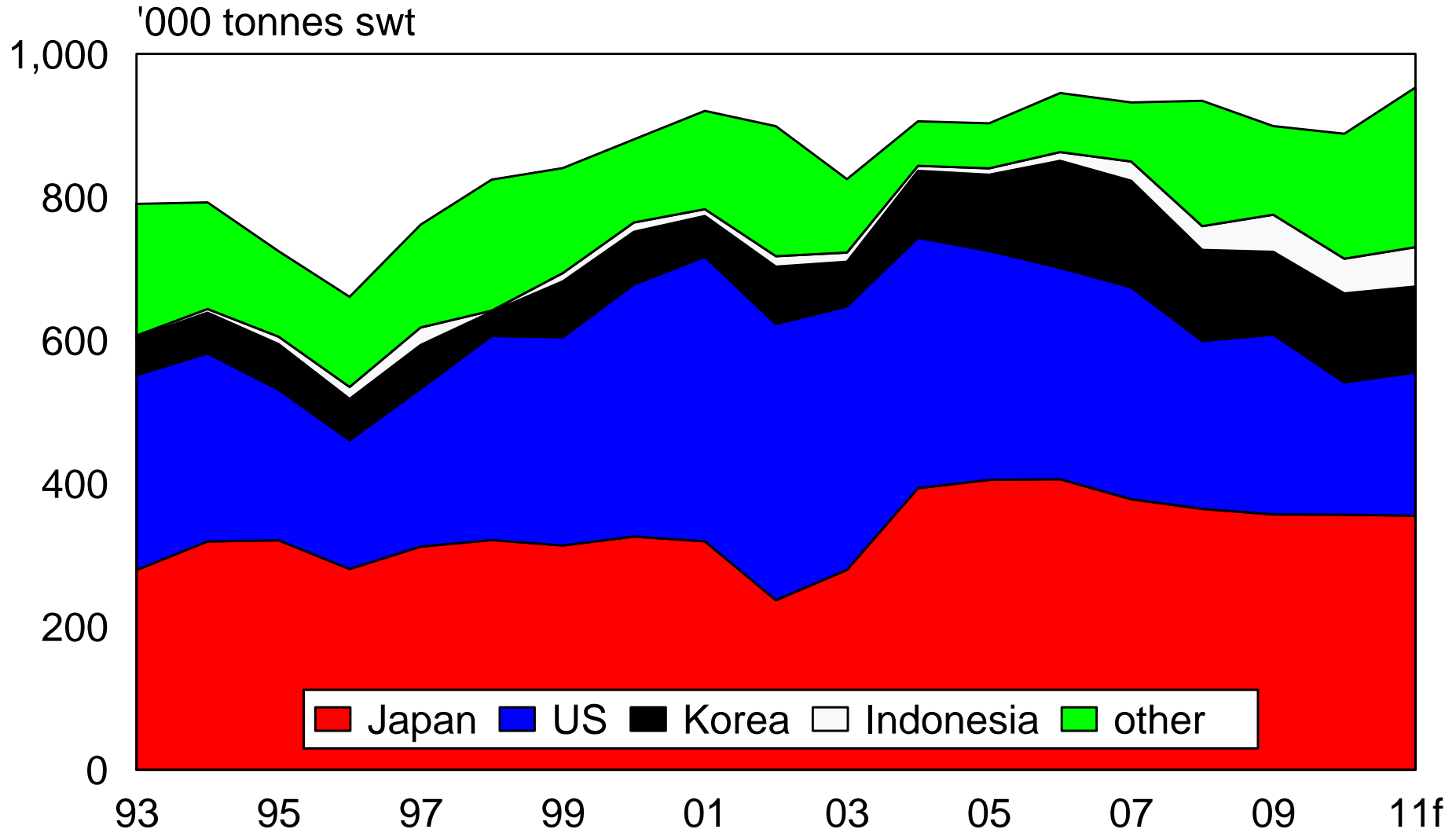
Source: *The Land*, MLA's NLRS

A\$ against US\$ and Japanese yen



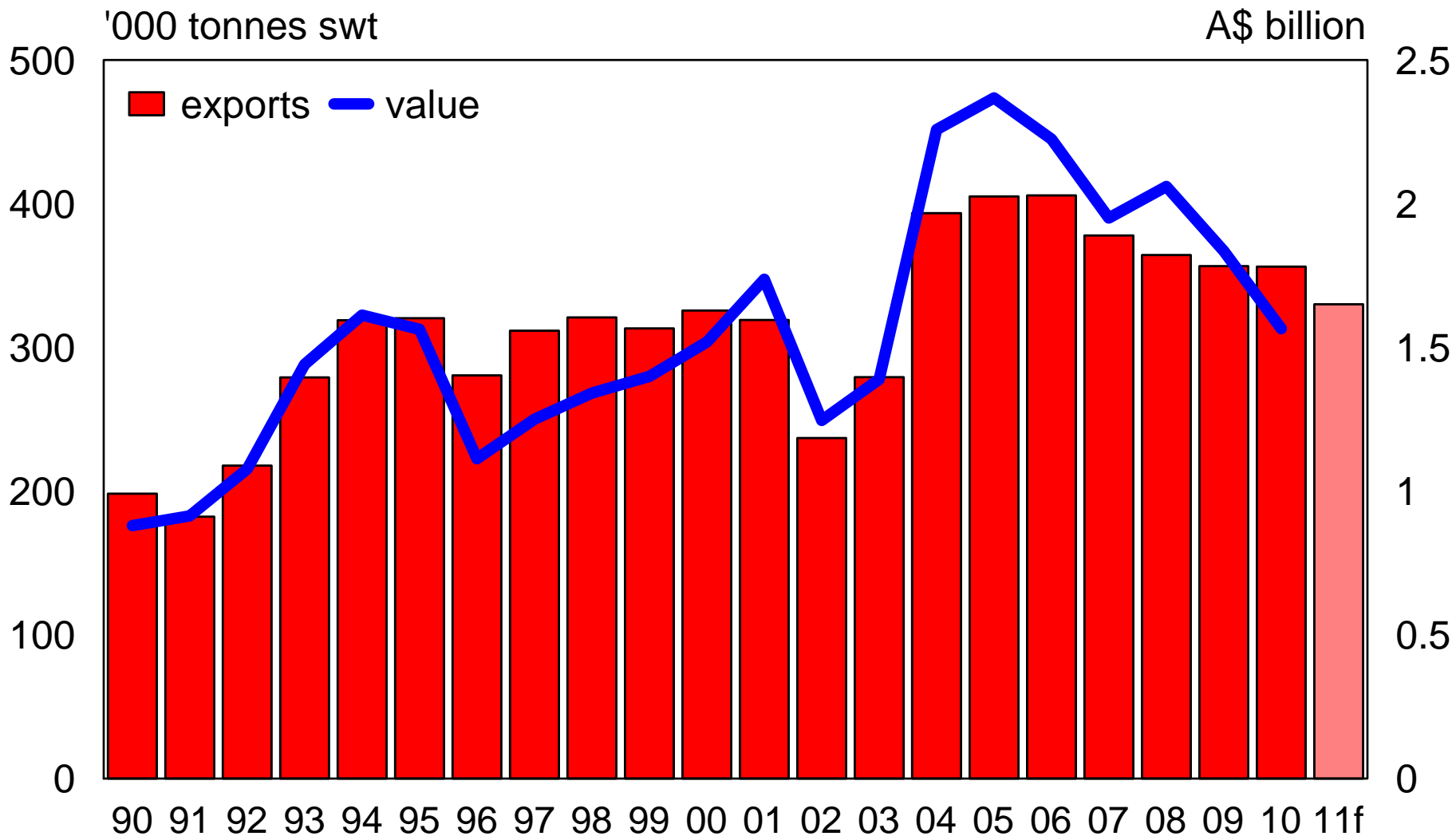
Source: RBA

Australian beef exports by key destinations



Source: DAFF, MLA forecasts

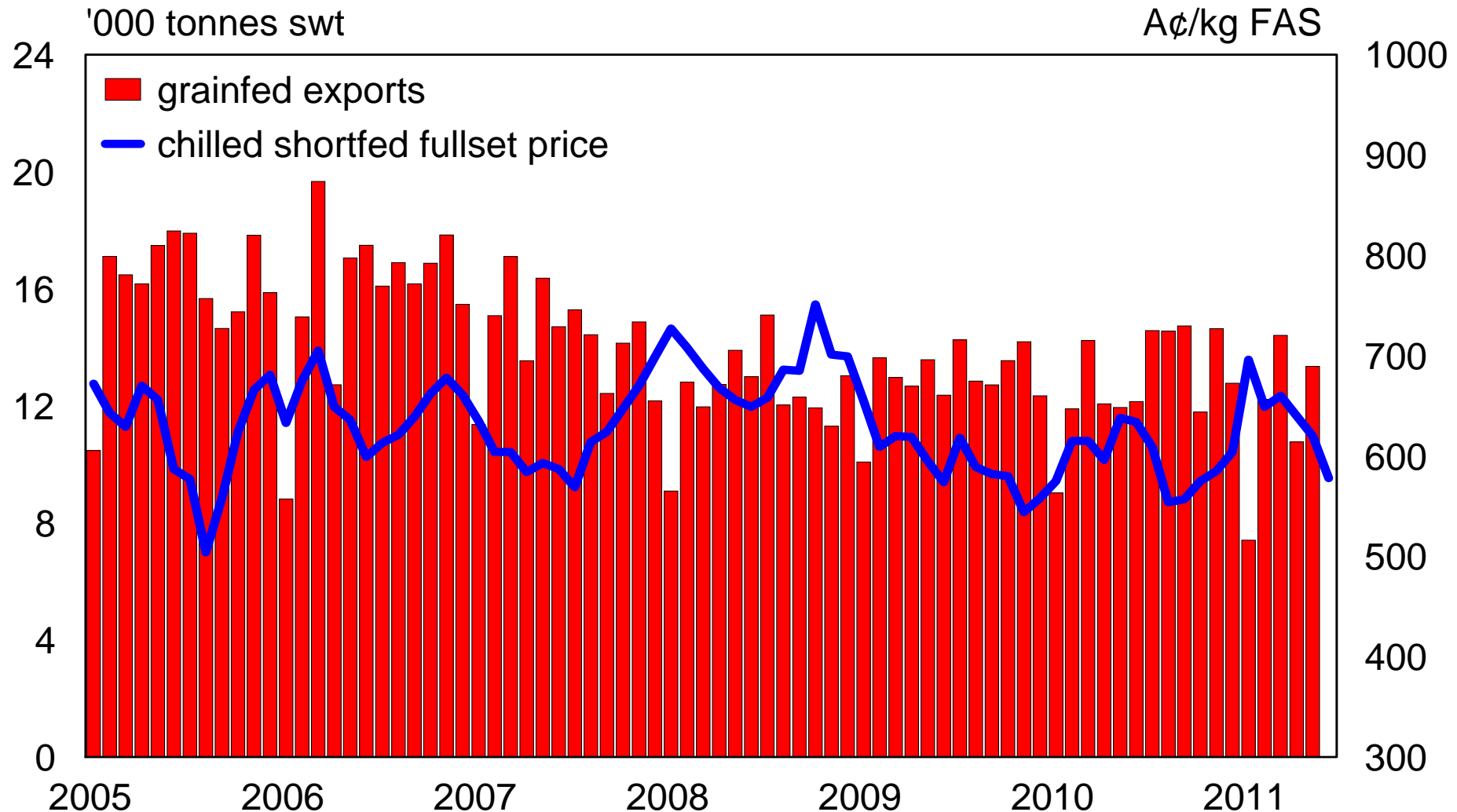
Australian beef exports to Japan



Source: DAFF volume, ABS value, MLA forecasts

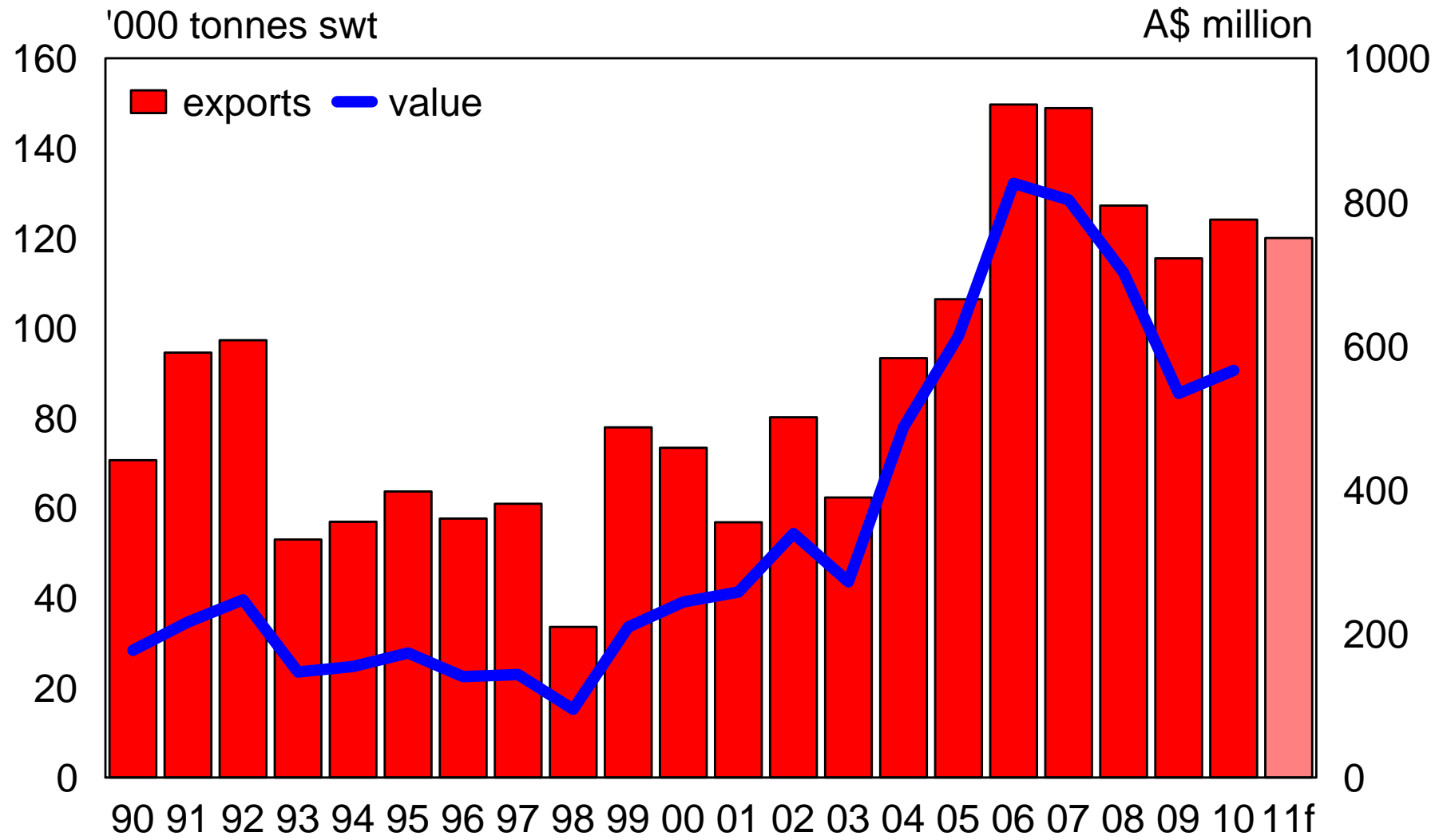
f = forecast

Australian grainfed beef exports and prices to Japan



Source: MLA, DAFF

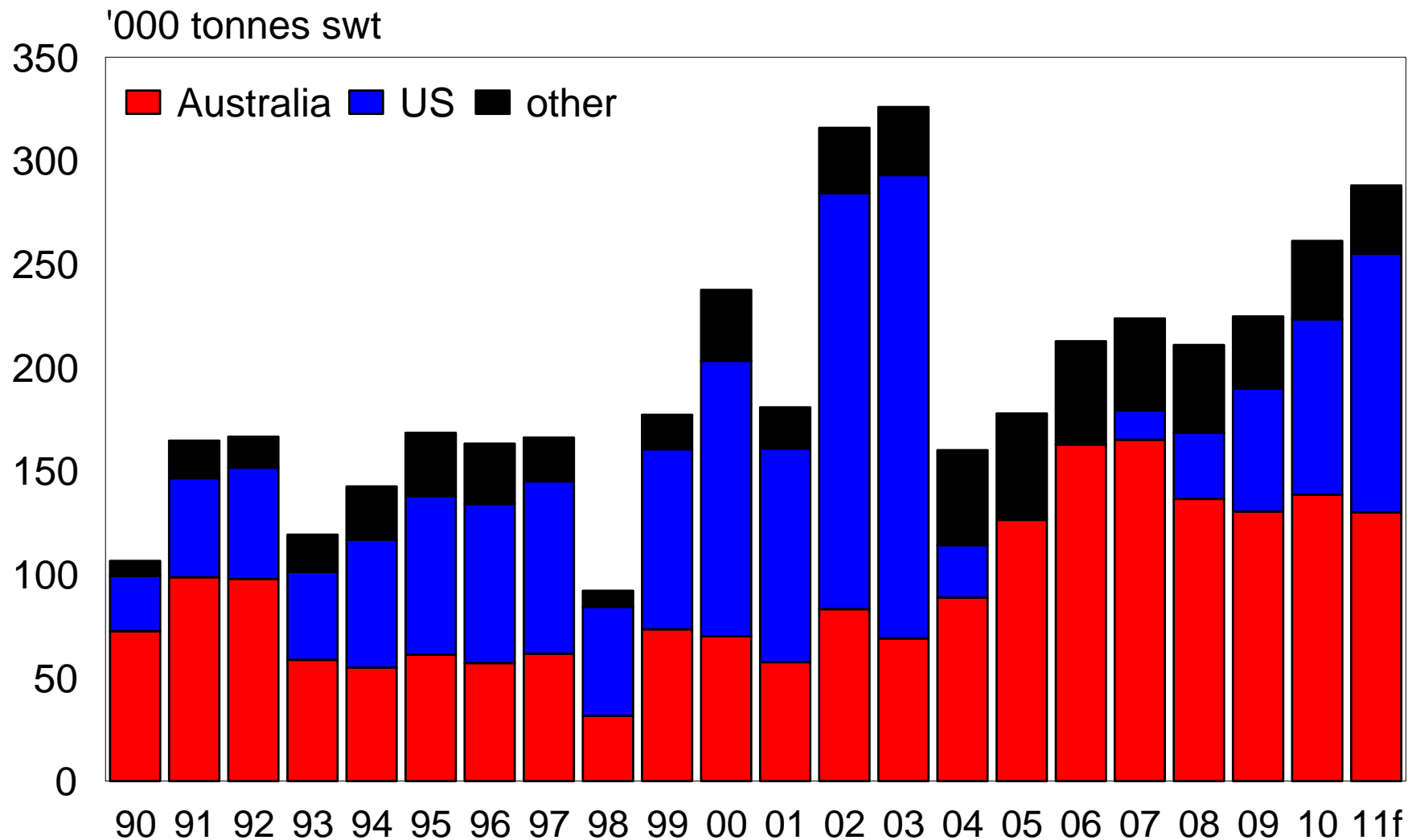
Increased competition in Korea



Source: DAFF volume, ABS value, MLA forecasts

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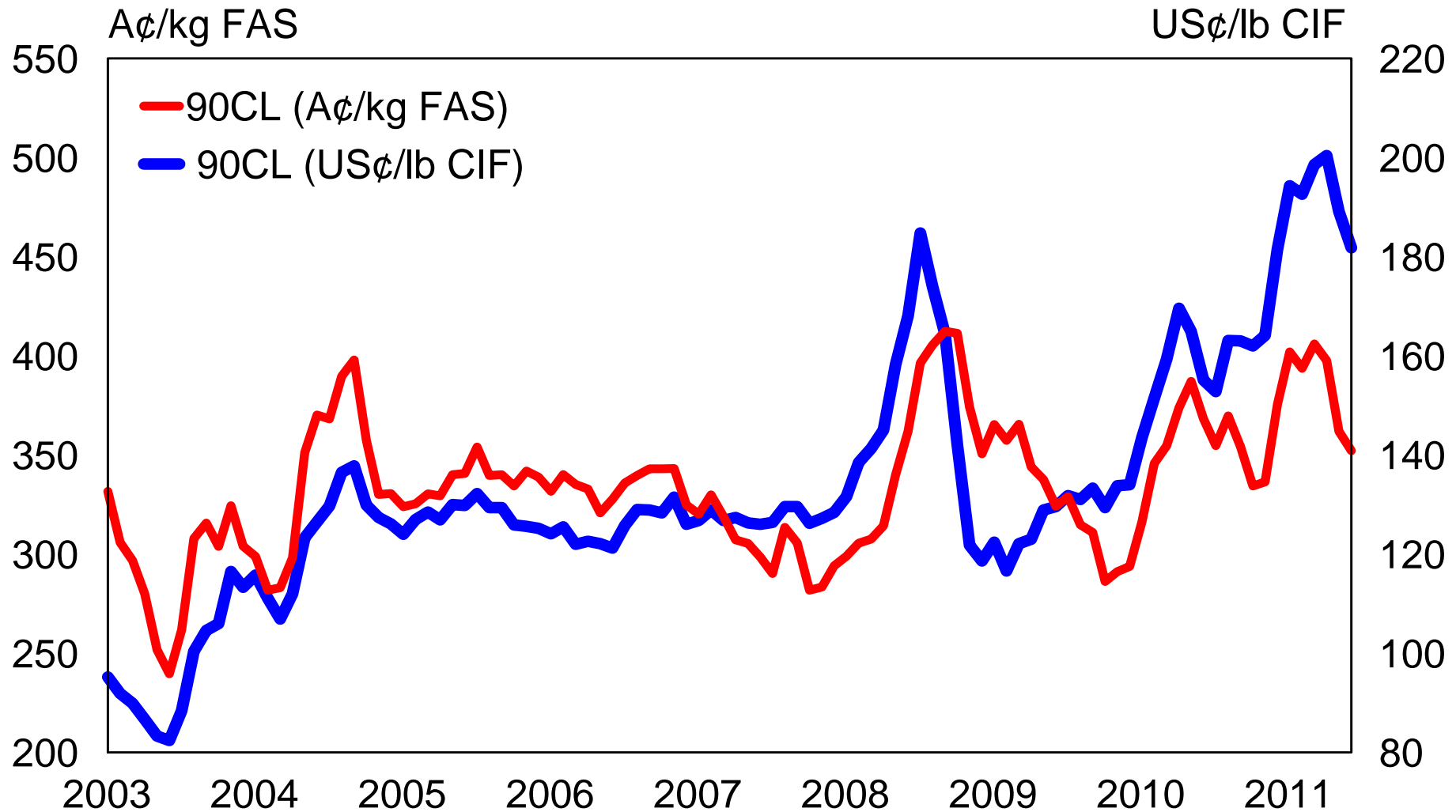
US maintaining focus on Korea



Source: KOTIS, MLA estimates

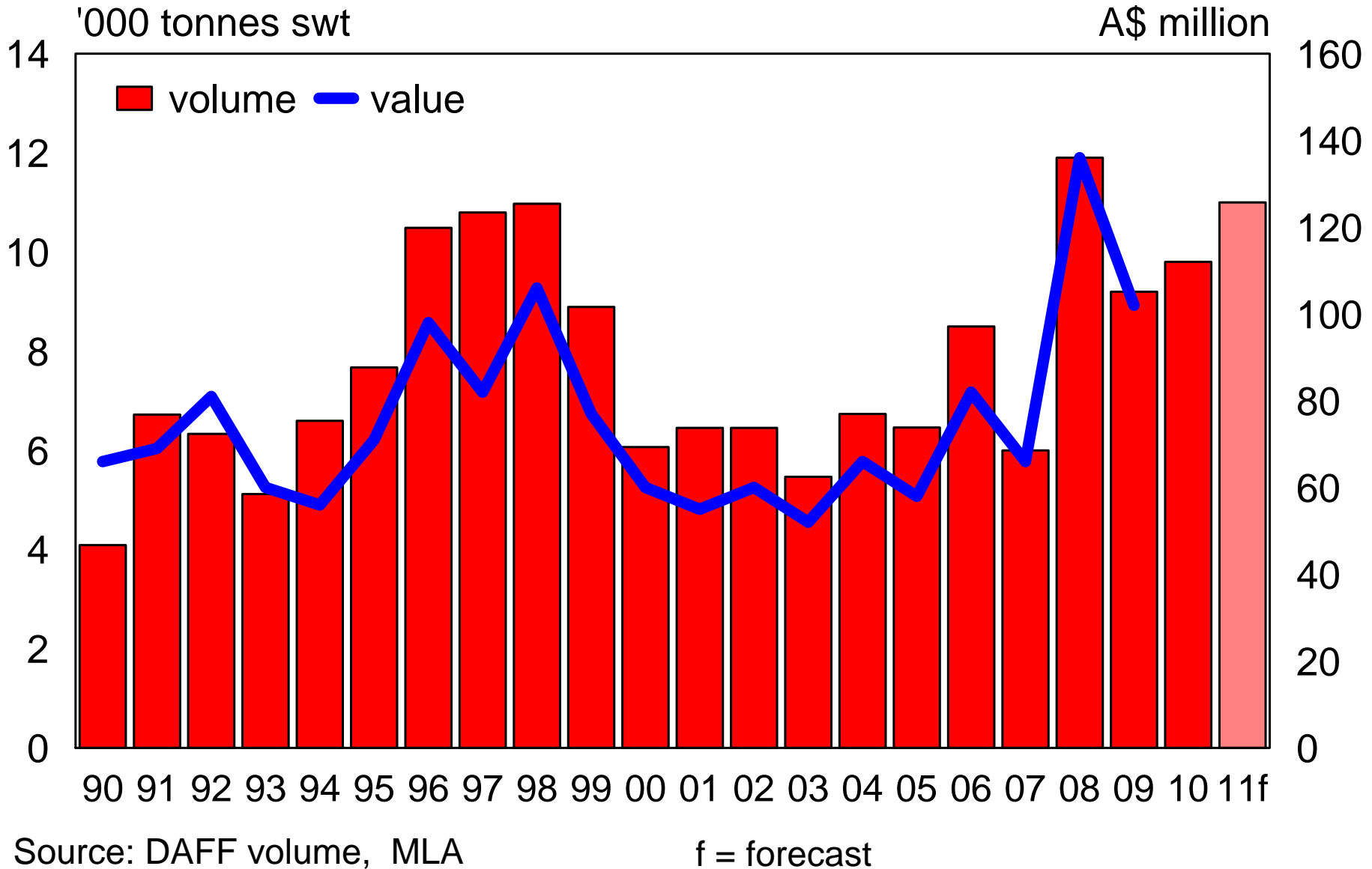
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Australian beef export prices to the US

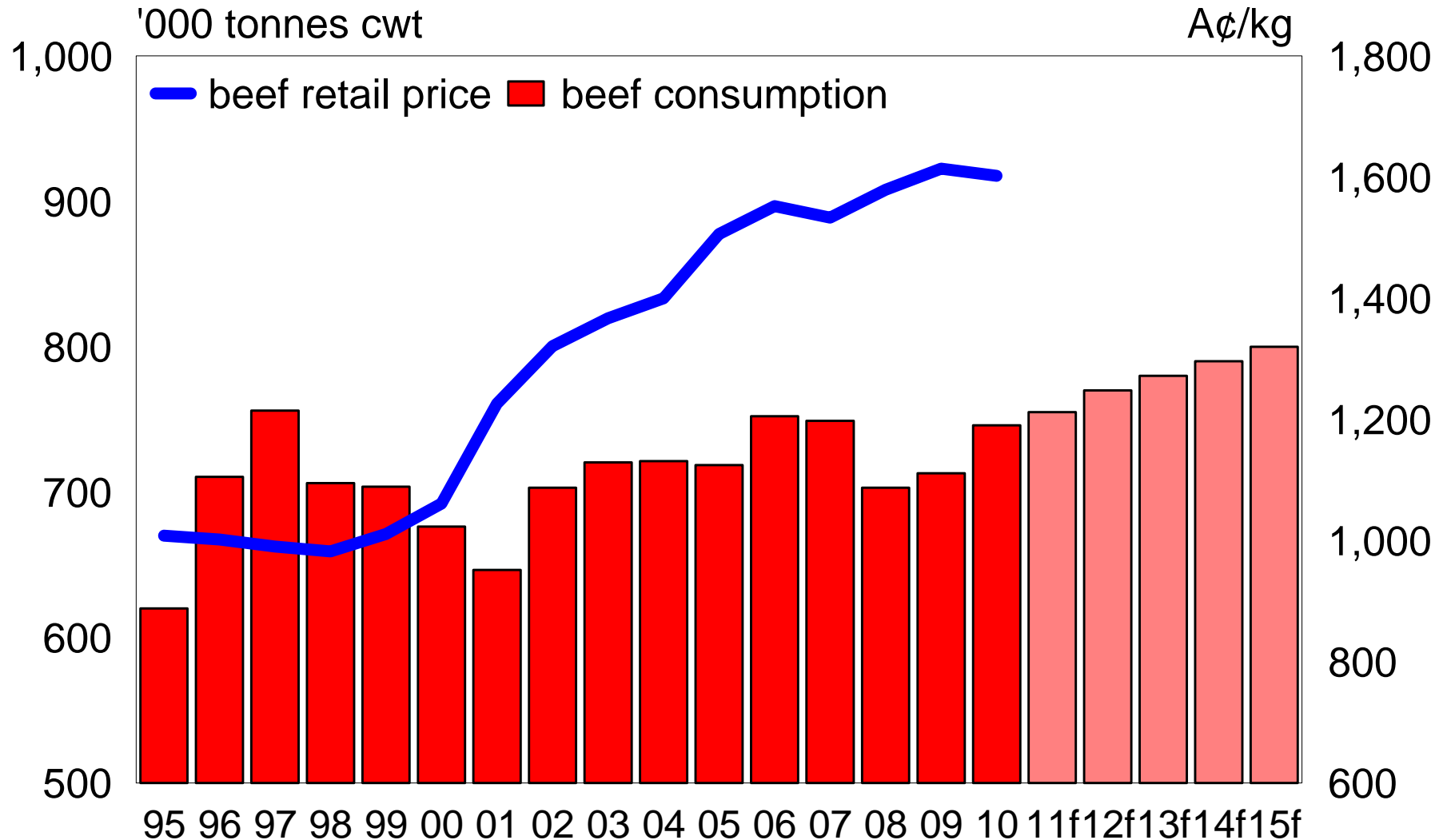


Source: MLA, Steiner

Australian beef exports to the EU



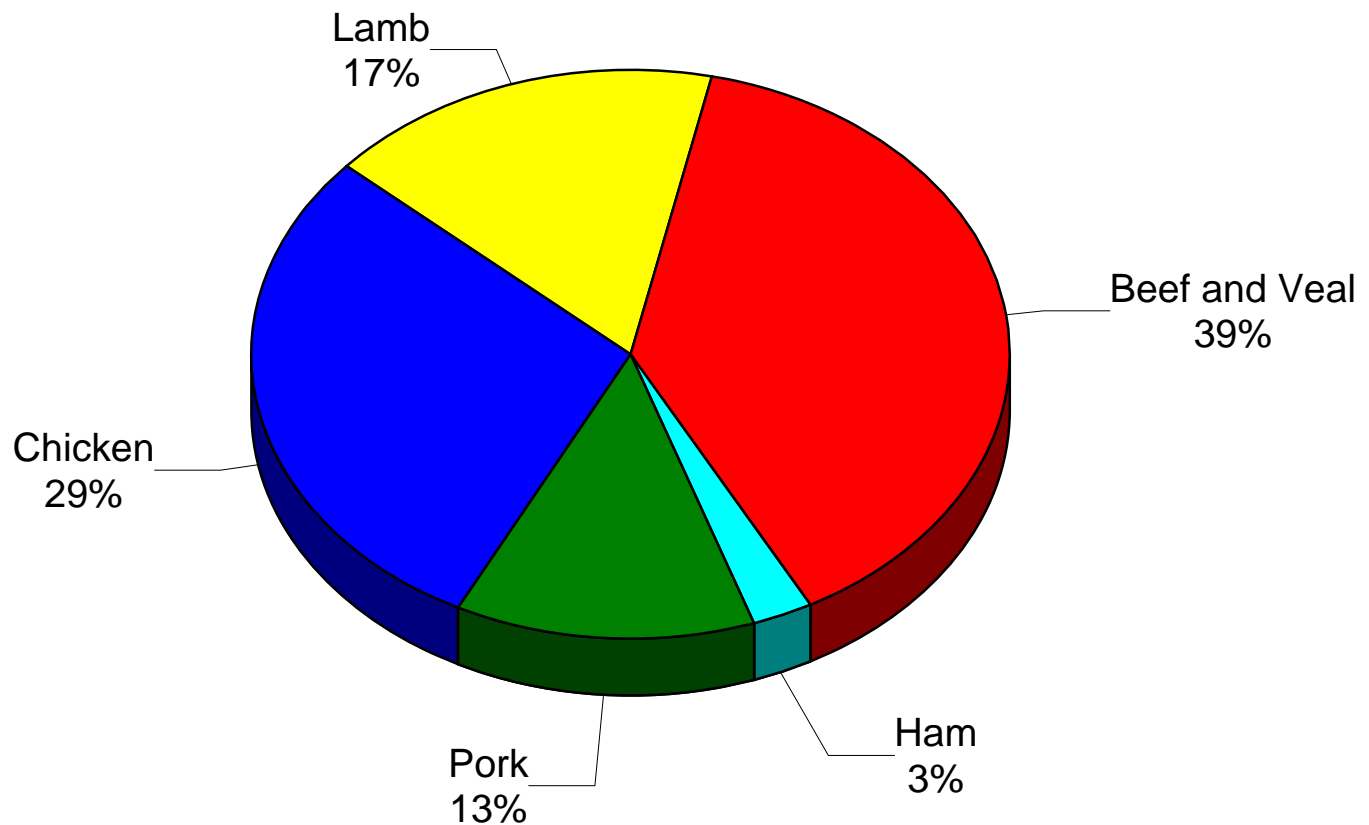
Beef consumption and retail price



Source: MLA from ABS production and DAFF trade data, ABARE

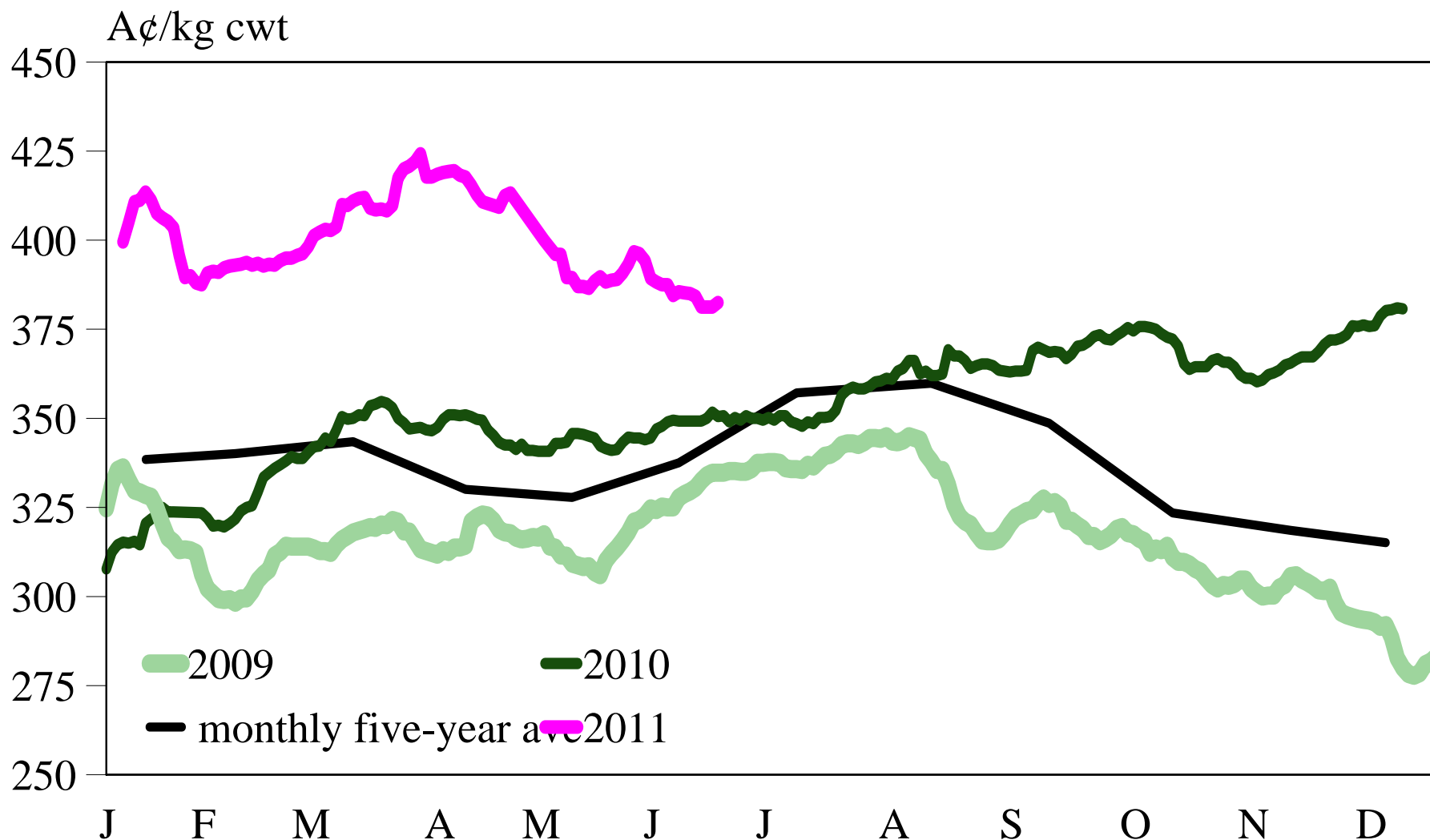
f = forecasts

Fresh meat category share at Australian retail 12 months to April 2011



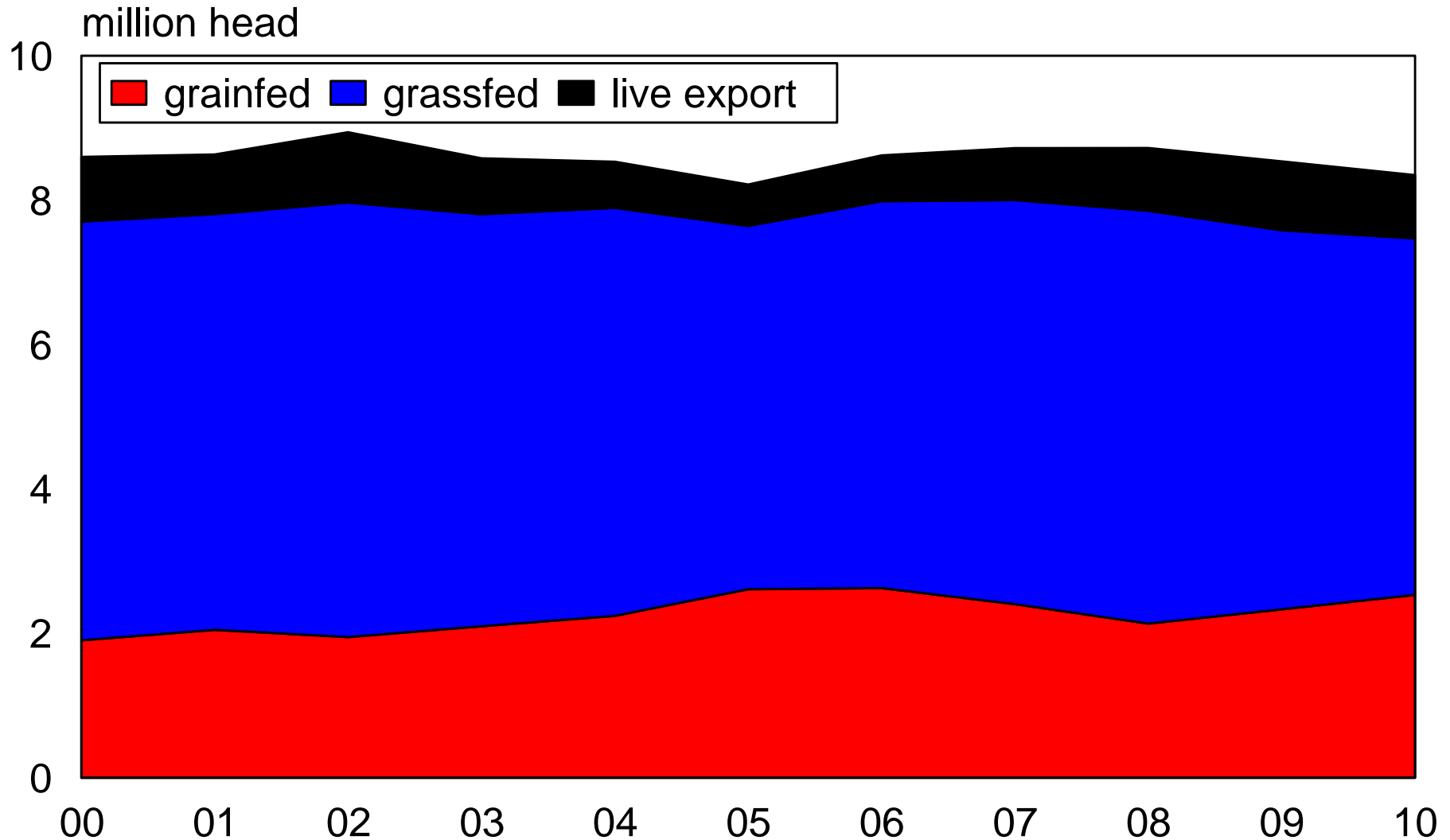
Source: Roy Morgan

Eastern Young Cattle Indicator (EYCI)



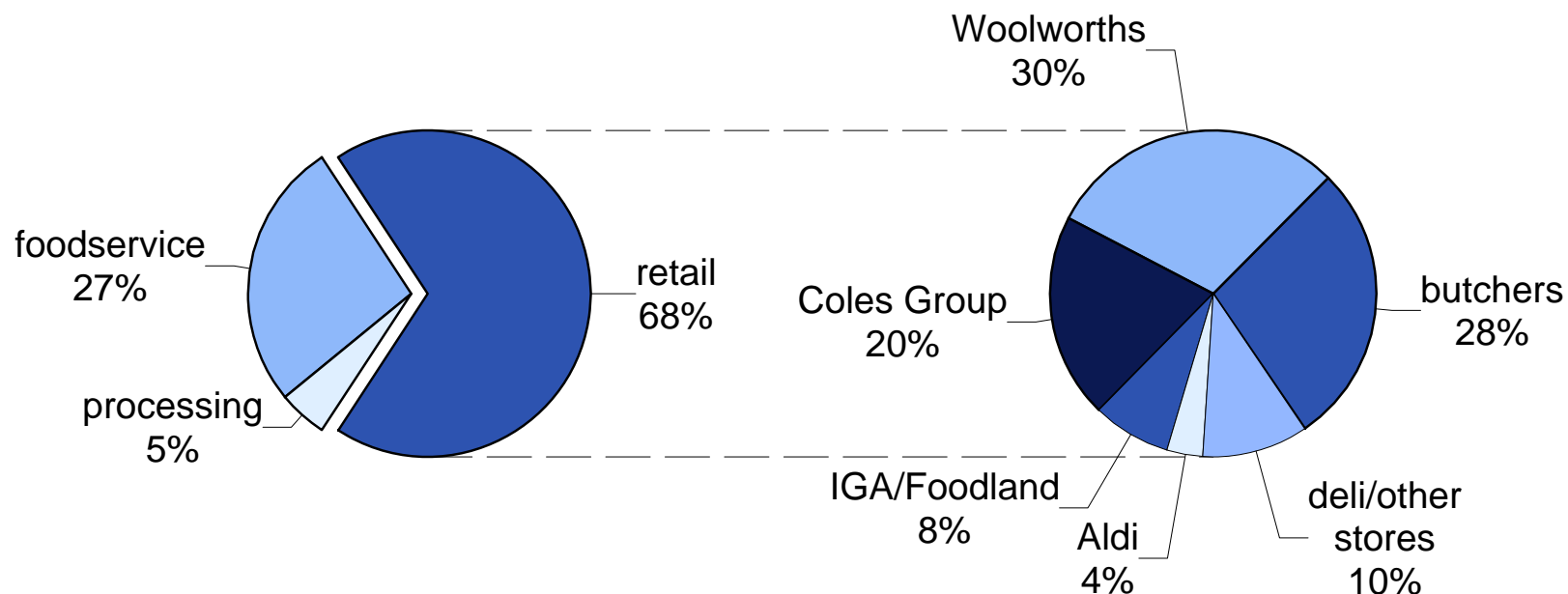
Source: MLA's NLRS

Australian cattle turnoff



Source: ALFA & MLA Feedlot Survey, ABS

Australia's beef segment share at retail 12 months to April 2011



Source: Roy Morgan/MLA estimates

Supermarkets locked in beef price cutting

- In late 2010, Australia's 2 largest supermarket chains started a price war, targeting many items, including beef.
- As a result, retail beef prices in Australia have dropped in the past year, but driven by price discounting.
- Reports have indicated that sales have increased, but could be due to increased volumes of beef being sold in Australian market due to tough export conditions.

COLES Beef
NO ADDED
HORMONES
NO ADDED
COST TO YOU



Increased consumer sensitivities...

Coles 'will hurt beef industry'

Mark Duggan

Hormone beef off the shelves at Coles in 2011

By Mark Duggan | Sydney Herald Sun | December 22, 2010 | 4:00pm

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Major retailer Coles removes HGP beef from its supply chain in 2011



COLES Beef
NO ADDED HORMONES
More Tender

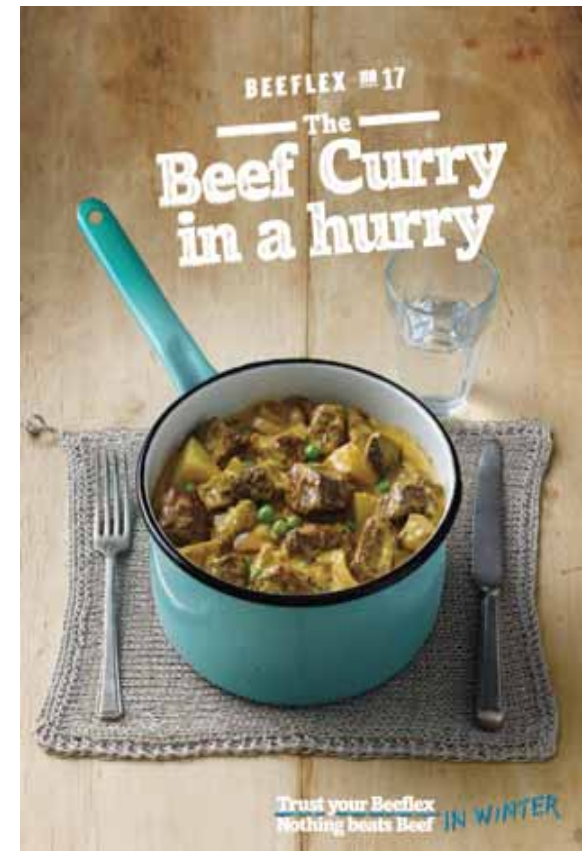
NO BULL

Beef that's free from Hormone Growth Promotants (HGP) is scientifically proven to be more tender.
That's no bull.
Because when we say quality food costs less at Coles, we mean it.
Quality food costs less at **coles**

Be added hormones at all Coles beef from the most reputable, best value beef in the world

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MLA latest beef campaigns



Conclusion:

“With seasonal conditions set to boost production levels, the Australian beef industry is very well placed to capitalise on the tighter global supply for beef”.

Thankyou...

