

Industry profiles

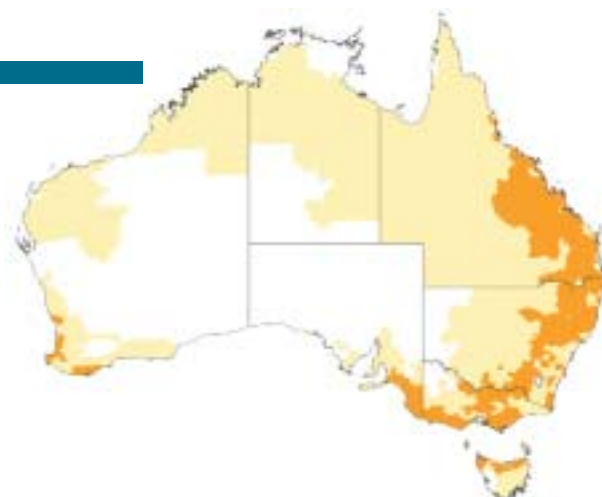


Industry profiles

This part of the report provides a sectoral analysis of the 12 largest agricultural industries (beef, broadacre crops, cotton, dairy, horticulture, pig meat, poultry, rice, sheep meat, sugar, wine grapes and wine and wool) and the food and beverage manufacturing sector. It also provides an overview of a number of smaller agricultural industries that play an important part in the sector. The industry profiles have been prepared by the department with a view to identifying the major characteristics and the domestic and international influences affecting the future of key industries.

A common approach is taken to the information presented for each of the key industries. Industry features such as location, size, output, market orientation and position in the global market are covered. The maps showing the location of principal areas of production for each industry are based on data from the ABS Agricultural Census 2001, presented at a Statistical Local Area (SLA) level (ABS 2001c). A number of economic measures of performance are included to allow comparison across the sectors. Natural resource management and employment and infrastructure characteristics are also discussed for each industry, and there is a section on institutional arrangements, including the industry's arrangements for marketing and for research and development. Each industry profile concludes with a summary of some key issues that are likely to be important to the future of the industry.

1 Beef



Location

Beef production is widespread across Australia. In northern Australia, production is based mainly on native pastures on large properties; in the southern states, smaller properties with a high degree of pasture improvement predominate. Extensive grazing by sheep and cattle occupies approximately half of Australia's land area.

Cattle are frequently transported within and between regions in response to seasonal conditions and for breeder replacement, growing out or finishing, live export and slaughter. An increasing number of cattle are being fattened in feedlots concentrated in the major grain growing regions of southern Queensland and northern and southern New South Wales.

Industry features

Table 1 shows the major features of the Australian beef industry, including its size, output, market orientation and position in the global market.

Table 1 **Overview of beef production and trade**

	Unit	1983–84	1993–94	2003–04
World				
Production	Mt	47.7	49.6	58.9
Trade ^a	Mt	2.5	4.6	6.1
Australia				
Beef cattle numbers	million	19.4	23.1	24.1
Average slaughter weight	kg/head	180	219	232
Production	kt	1 345	1 825	2 033
Share of world output	%	2.8	3.9	3.5
Gross value ^b	\$m	4 675	5 766	6 651
Domestic consumption ^a	kt	675	669	758
Exports				
Beef ^c	kt	439	788	860
Live cattle ^d	'000	na	235	578
Value ^b	\$m	2 391	4 224	3 793
Share of world trade	%	26	25	21
Imports	kt	na	6.8	8.0
Employment ^e				
Production ^f	'000			47.1
Processing ^g	'000			17.8

a Carcass weight equivalent.

b In 2003–04 dollars.

c Shipped weight.

d For slaughter.

e ABS 2001a.

f Farmers/managers and other employees in the beef specialist industry only (an additional 18 000 people are employed in the mixed beef–sheep industry).

g Includes all meat processing.

na Not available.

Sources: ABARE 2004, 2005; ABS 1990, 2001a, b.

Markets

In farm-gate value terms, an average of 63 per cent of the beef cattle turned off for slaughter from Australian farms in 1999–2000 was exported.

The Australian beef industry is relatively lightly assisted. The Organisation for Economic Cooperation and Development (OECD) estimates that the monetary value of transfers from consumers and taxpayers to support beef producers as a result of policy measures was equivalent to 4 per cent of producers' gross incomes in 2003 (OECD 2004).

- In comparison, EU beef producers received assistance equivalent to an estimated 77 per cent of their gross incomes in 2003. Canadian producers received 18 per cent, Japanese producers 33 per cent, Korean producers 68 per cent and US producers 3 per cent.

Principal export markets are the United States (361 000 tonnes in 2003–04), Japan (331 000 tonnes) and Korea (75 000 tonnes).

- Access to all three markets is restricted — by high tariffs in Japan and Korea, and by tariff quotas in the United States. The recent Australia–United States Free Trade Agreement will result in US restrictions being phased out over the long term.
- Although the European Union is a potentially important market for higher value beef, access is tightly controlled by quotas.
- Most beef exported from Australia is in 'bone out' form and is chilled or frozen according to the requirements of the intended market. An increasing amount of product supplied is company branded.
- As countries such as Argentina and Brazil are able to demonstrate longer term freedom from foot-and-mouth disease, they are likely to provide increasing competition for Australia in major markets.

Around 600 000 head of live cattle, valued at around \$300 million in 2003–04, are exported from Australia annually. Western Australia and the Northern Territory together ship out around 75 per cent of these cattle. Indonesia is Australia's largest export market, taking 45–50 per cent of the trade.

Average slaughter weights rose from around 219 kilograms to 232 kilograms in the ten years to 2003–04, in large measure because of the growth in numbers of cattle finished on feedlots both for the export trade and for a growing domestic trade.

- Most feedlots are in southern Queensland and New South Wales, where there is good access to supplies of store cattle, grain and other feedstuffs.
- The removal of Japanese beef import quotas in the early 1990s was the major driver behind a rapid expansion of the feedlot sector. By 2002, there were about 600 accredited feedlots in Australia, with a total capacity of around 860 000 cattle. A number of the feedlots producing for the overseas market (especially for Japan) were wholly or partly owned by Japanese investors.

As Australian consumers acquired a taste for grain-fed beef, the proportion of cattle finished in feedlots for the domestic market rose from around 20 per cent to 40 per cent between the mid and late 1990s.

- Supermarkets are drawing an increasing proportion of their beef requirements from feedlots.
- In volume consumed, however, chicken meat is close to replacing beef as Australians' preferred meat, largely because of product innovation and declining relative prices.

Food safety demands of consumers worldwide are increasingly important. The beef industry is addressing this issue, in part through the National Livestock Identification System, which will facilitate the traceback of meat from retail outlets to farms.

Farm businesses

Principal features of Australian beef specialist businesses are shown in Table 2. Beef specialist farms are those farms that make most of their income from the sale of beef cattle.

Beef cattle prices relative to prices of farm inputs used in beef production are expected to continue to decline over the longer term.

- This phenomenon, which is common to most agricultural industries, is occurring because global production is growing faster than global demand, causing commodity prices to fall in real terms (that is, net of inflation).
- Between 1977–78 and 2002–03, beef cattle prices rose on average by 3.3 per cent a year, but input prices rose more rapidly by 4.8 per cent a year.

Table 2 **Features of Australian beef specialist businesses** Average per farm

	Unit	1983–84	1993–94	2003–04
Number of businesses	no.	20 109	17 393	24 416
Average performance				
Area operated	ha	13 312	14 420	10 699
Cattle numbers	no.	791	808	716
Cattle sales ^a	\$	149 689	203 052	178 686
Total crop sales ^a	\$	9 039	5 895	3 035
Sheep sales ^a	\$	1 322	2 834	1 289
Wool sales ^a	\$	2 254	3 073	824
Net farm cash income ^a	\$	38 291	57 553	30 040
Farm business profit ^a	\$	2 320	-7 684	-22 990
Capital investment ^a	\$'000	1 405	1 718	2 466
Return on capital ^b	%	1.0	0.6	-0.5
Farm debt ^a	\$'000	83.9	170.7	129.2
Off-farm income ^a	\$'000	na	21 558	29 240
Largest 30% of farms ^c				
Share of industry output	%	77	73	81
Beef cattle sold	no.	574	738	727
Net farm cash income ^a	\$	100 196	141 522	104 552
Farm business profit ^a	\$	62 986	35 934	11 663
Return on capital ^b	%	3.5	2.6	1.0
Other 70% of farms ^c				
Share of industry output	%	23	27	20
Beef cattle sold	no.	77	131	83
Net farm cash income ^a	\$	11 872	21 615	1 527
Farm business profit ^a	\$	-23 569	-26 351	-35 752
Return on capital ^b	%	-3.4	-1.8	-3.4

a In 2003–04 dollars.

b Adjusted to full equity by adding interest paid to farm business profit and excluding capital appreciation.

c Ranked by value of output.

na Not available.



Source: ABARE Farm Surveys.

Because of the long term trend of declining prices relative to input costs, productivity gains in the beef producing industry will be important for international competitiveness and for determining the farm-level allocation of resources between beef and other enterprises.

- Over the period since 1977–78, beef specialist producers have increased productivity by an average 1.8 per cent a year. The rate of gain was even higher in the 1990s, averaging 2.1 per cent a year — largely as a result of strong performance in northern Australia.
- The northern Australian industry was able to lift productivity by an average 3.3 per cent a year between 1988–89 and 2001–02, as the emergence of a substantial live cattle export trade encouraged the turn-off of smaller and younger animals.
- Overall, productivity growth has been closely related to farm size, with the largest third of beef farms achieving strong productivity growth, and the smaller two-thirds showing little or no improvement.

Herd management

The health and welfare of the national herd has important implications for both productivity and market access.

- Freedom from serious diseases such as brucellosis, tuberculosis, foot-and-mouth disease and BSE (bovine spongiform encephalopathy) is an important competitive advantage for the Australian industry.
- Genetic improvement of the Australian cattle herd through breeding programs has provided significant productivity gains.

- Quality assurance programs such as CATTLECARE seek to minimise chemical contamination, prevent bruising and hide damage, and ensure animal welfare.

Natural resource management

The development of improved pasture systems to help reduce soil erosion caused by overgrazing and clearing of native vegetation is a major priority for the beef industry. Other priorities identified include effective management of woody vegetation to conserve biodiversity and prevent dryland salinity, and weed and pest control.

Additional priorities for feedlots are effective utilisation of effluent and manure, protection of water resources (surface water and groundwater), and protection of community amenity by controlling dust, smell and noise.

In 1999, approximately one-third of beef producers were members of Landcare community groups.

Employment and infrastructure

The beef industry accounts for a substantial proportion of all employment in the agriculture sector (up to 22 per cent in 2001, 16 per cent of which related to beef specialist farms).

- Farmers/farm managers constitute 70 per cent of this figure, except in the Northern Territory, where most of those employed are agricultural workers or station hands, reflecting the extensive nature of the industry in the territory.
- On-farm employment is predominantly in Queensland (39 per cent in 2001), New South Wales (28 per cent) and Victoria (17 per cent); regional employment and activity in the sector are also particularly important in northern Australia.

Infrastructure and off-farm employment in the beef industry are mainly in feedlots, processing plants, transport and ports.

- In the 1980s, there were 475 plants processing red meat in Australia. By 1990 the number had fallen to 390, and further rationalisation has occurred since.
- A number of dedicated or specialised port facilities operate for live cattle export from northern Australia.

Institutional arrangements

Peak bodies

A number of peak bodies represent the different sectors of the beef industry:

- Cattle Council of Australia (representing beef producers)
- Australian Lot Feeders' Association (beef lot feeders)
- Australian Meat Industry Council (the beef processing sector).

The peak bodies' chairmen or presidents are members of the Red Meat Advisory Council, which provides leadership for the red meat industry, advises the Minister on cross-sectoral issues, is the custodian of the Meat Industry Strategic Plan and manages industry reserves.

Marketing and research and development arrangements

Meat and Livestock Australia (MLA) is the producer service-delivery company that provides marketing and research and development for the beef cattle and sheep meat industries. MLA receives statutory levies from growers for marketing and research and development, and matching Australian Government funding (up to a maximum of 0.5 per cent of industry gross value of production) for eligible research and development. In 2003–04, \$52.4 million was spent on marketing activities and around \$62 million was spent on research and development activities for the red meat sector. The key priorities for research and development were:

- sustainable natural resource management
- product integrity
- promotion of the benefits of red meat for human health
- disease and pest protection
- building innovation culture and capability
- frontier technology
- whole-of-industry competitiveness.

Industry outlook

Some key factors for the future are:

- remaining internationally competitive and attractive, relative to other farm enterprises, through growth in on-farm and off-farm productivity
- achieving increased and less restrictive global market access
- maintaining competitiveness with other meats, especially chicken and pig meat, in prices to consumers and product innovation and safety
- maintaining disease-free status relative to competitors
- contributing to productivity improvements through breeding and improved pasture systems
- addressing animal welfare and environmental concerns
- managing for climate variability and change.

