

News Release

For release: 18 October 2016

Australian beef industry's six billion dollar bind

The Australian cattle industry is faced with a critical choice between re-building herds to meet growing global beef demand or continuing to sell to capitalise on historically strong beef prices, according to an ANZ report on Australia's beef sector.

Launched today during an ANZ beef industry delegation to China, the agricultural insights report '*Cattle Call*', outlines a AU\$7 billion growth opportunity by 2025 if the nation's herd size can be increased significantly.

"Australia's beef industry finds itself at a critical crossroad that requires a call for serious consideration of some opportunity cost," said ANZ's Head of Agribusiness, Mark Bennett, who is currently leading the ANZ delegation of beef industry producers, processors and industry advisors to China.

"There is the risk of jeopardising long-term earning capacity unless as an industry we can adapt to surging global demand for beef. It's a balancing act for Australia's beef producers as they understandably look to capitalise on today's market with the current high-price cycle, while also understanding that as an industry we could look for longer-term prosperity that comes from rebuilding a larger national herd that brings more valuable output for the longer-term," Mr Bennett said.

Key findings from *Cattle Call*:

- Keeping herd slaughter rates high in the short-term will provide immediate returns to farmers, however lower slaughter rates and herd building could be the difference between a A\$16.4 billion and A\$9 billion industry
- But if the beef industry continues on its current path it will be worth A\$11.8 billion with only 21.6 million head of cattle in 2025
- Australia's beef cattle herd has declined from 26.5 million in 2013 to 23.3 million in 2016 due to drought conditions and high prices leading to high cattle turn-off rates
- Australia exported 84% of its total beef and veal production in 2014-15
- Since 2011, Australian exports to the United States have increased significantly, and the US is now Australia's largest and most valuable export market – worth over A\$3 billion in 2015
- Exports to China have increased rapidly since 2011 and are currently worth around A\$1 billion per annum
- Australia is facing increased export competition to China, but Australian beef quality and safety gives it a significant advantage.

The report suggests a 10 year timeframe to lift Australia's herd size, which sits at a 20 year low of 23.3 million. The report also concludes that the herd number could potentially fall further before it rises, pressured by recent drought conditions in key production regions and continued high demand.

Mr Bennett said that export markets remain the driving force behind demand with 84 per cent of the total Australian beef and veal production heading overseas in 2014-15.

"Australia's global reputation for producing safe, clean beef is a major selling point for our industry. Despite the drought conditions felt mainly in the north, the strong demand from the United States and China in the last five years – along with traditional markets such as Indonesia and Japan – has set us on a profitable course. But it's a course that will see our herd number continue to erode."

Mr Bennett added that without considered focus on productivity gains and arresting the declining herd number, Australia risks losing market share.

"The Australian beef industry has a bright future and a significant role to play in our country's agricultural sector. However if we are to continue to supply and grow strong overseas markets – the key will be to ensure greater output and focus on value, as well as adopting an increased focus on production, processing and trade productivity," Mr Bennett said.

To download the report visit: <http://anz.co/g7wr305gYm3>

For media enquiries contact: Emily Kinnear: 0478 401 280