

The implications for Australian agriculture of changing demand for animal protein in Asia.

Mick Keogh
Executive Director,
Australian Farm Institute.



Australian Government
**Rural Industries Research and
Development Corporation**



Australian
Farm Institute

Implications of changing Asian demand for animal protein



- **Methodology and nations included**
- Projections of future demand and trade
- Implications for Australian agriculture.

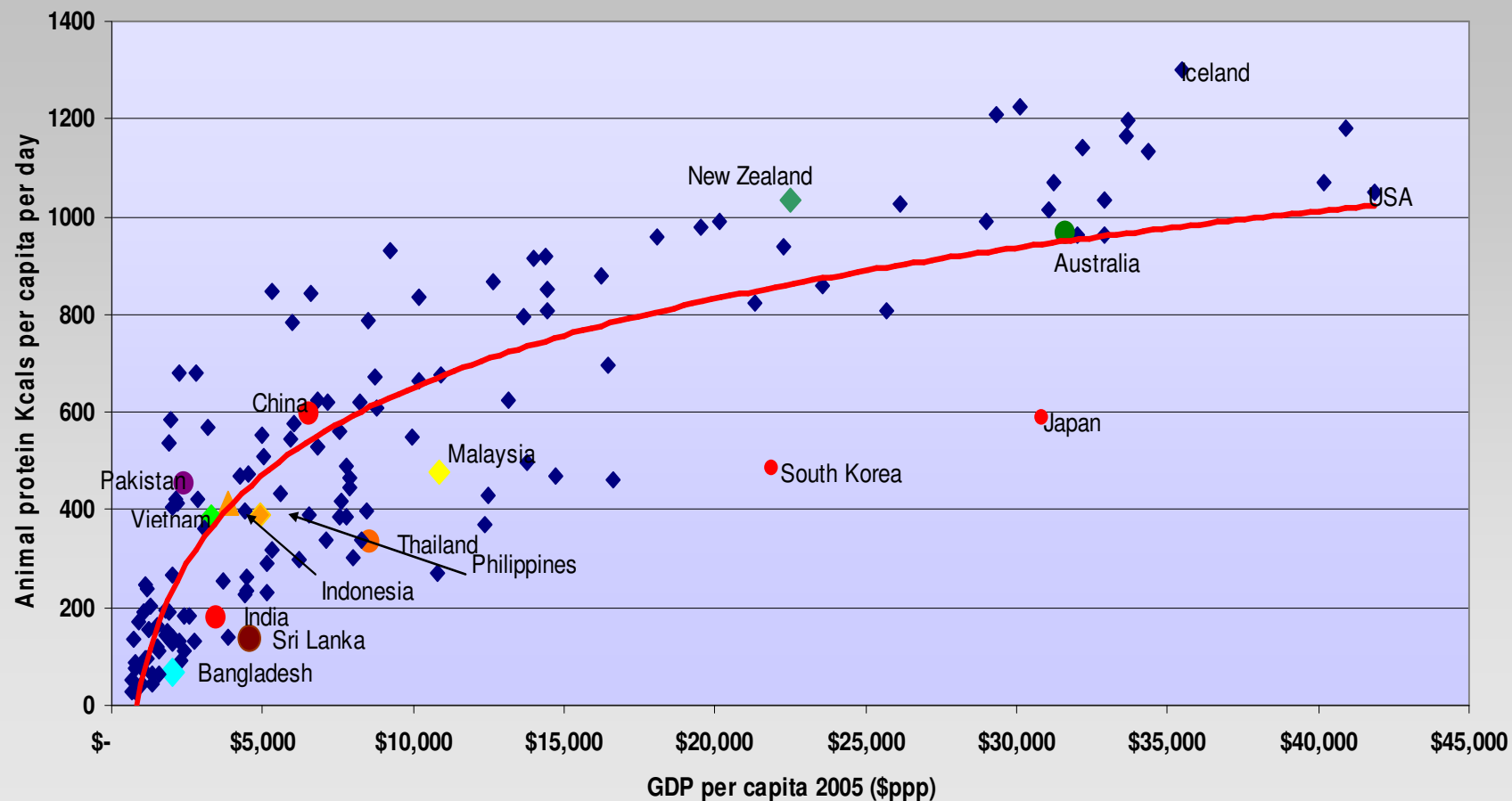
Methodology and nations included

Nation	Population (millions)	GDP per capita (\$US ppp)	GDP Growth (6 year average)
China	1,314	\$7,198	9.6%
India	1,095	\$3,320	6.7%
Indonesia	246	\$4,459	4.8%
Pakistan	166	\$2,653	5.3%
Bangladesh	147	\$2,011	5.7%
Japan	128	\$32,647	1.7%
Philippines	90	\$4,923	4.6%
Vietnam	84	\$3,025	7.6%
Thailand	65	\$8,368	5.0%
South Korea	49	\$20,590	4.6%
Malaysia	24	\$11,201	4.7%
Sri Lanka	20	\$4,384	4.8%

Methodology and nations included

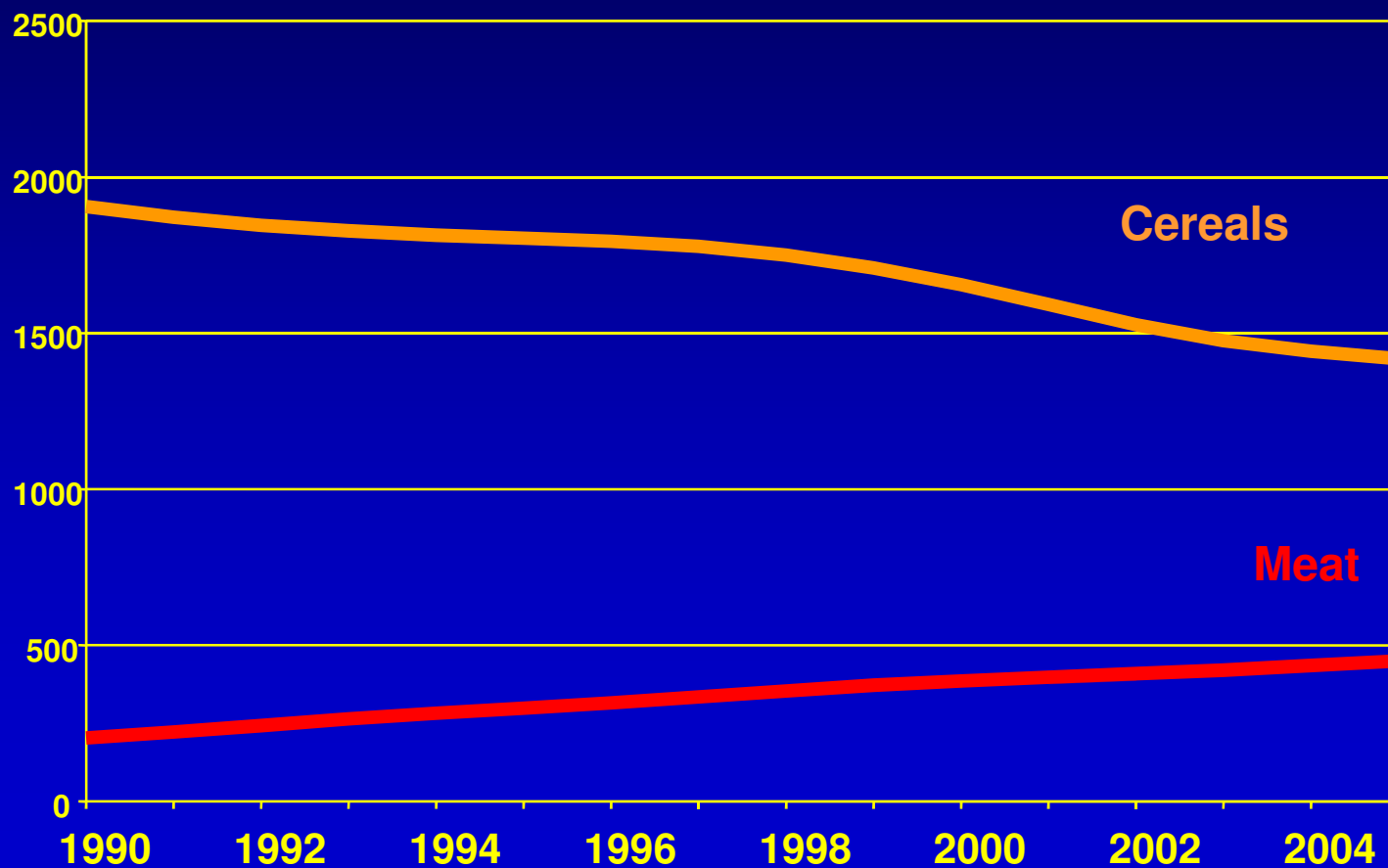
- Data and projections from FAO, World Bank, IFPRI, FAPRI, USDA, EU, ABS, ABARE
- Actual data 1990-2005. Projections 2007 – 2020
- Generally, net trade = projected production less projected consumption. Dairy more problematic.
- Critical factors include
 - Population and growth rates
 - GDP per capita
 - Urbanisation
 - Ageing
 - Cultural and religious factors
 - Domestic agricultural productive capacity
 - Agricultural trade barriers
- Projections do not incorporate ‘disruptive’ events

GDP per capita (\$ppp) and animal protein consumption (includes fish and dairy)



Chinese per capita food consumption

Calories per capita per day

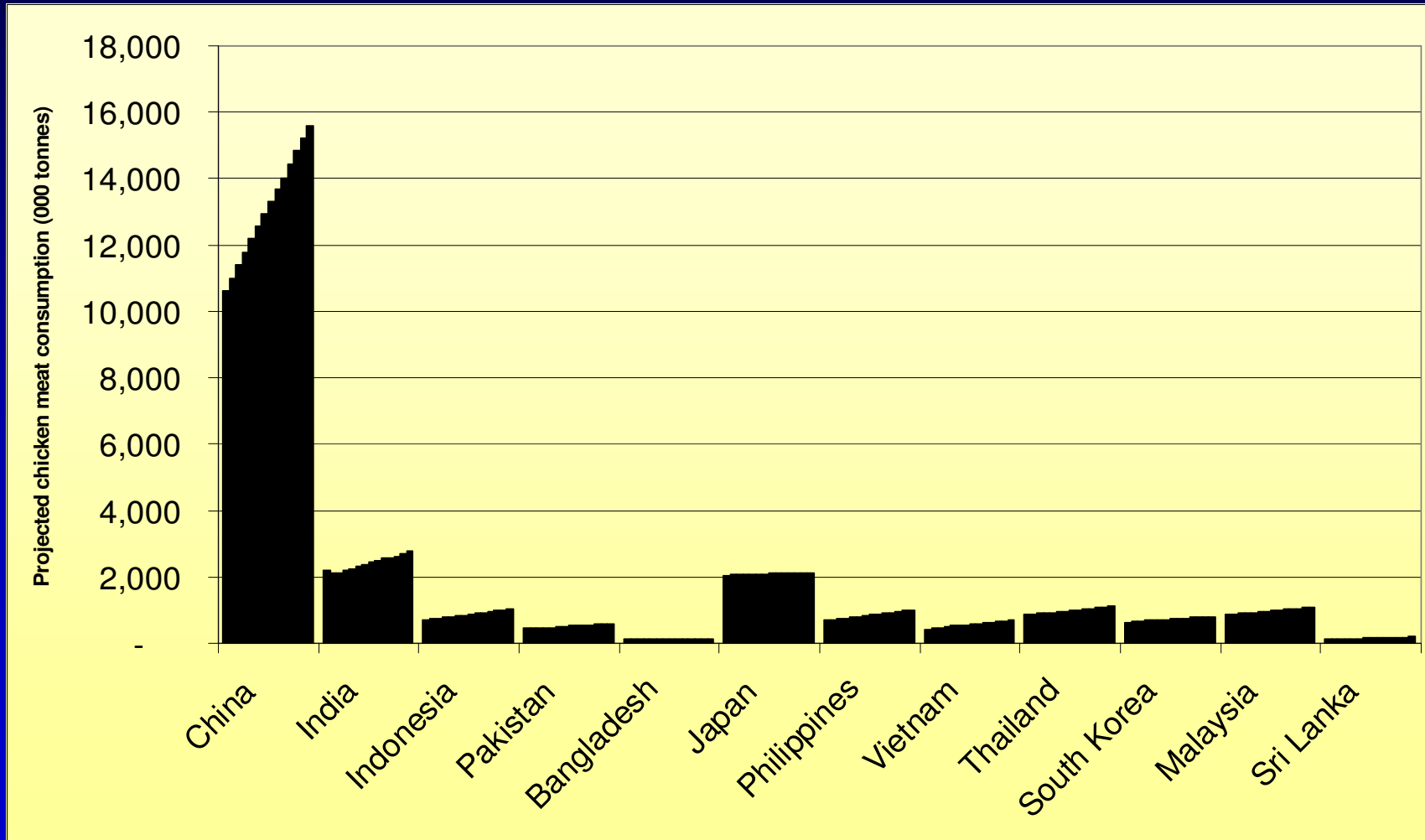


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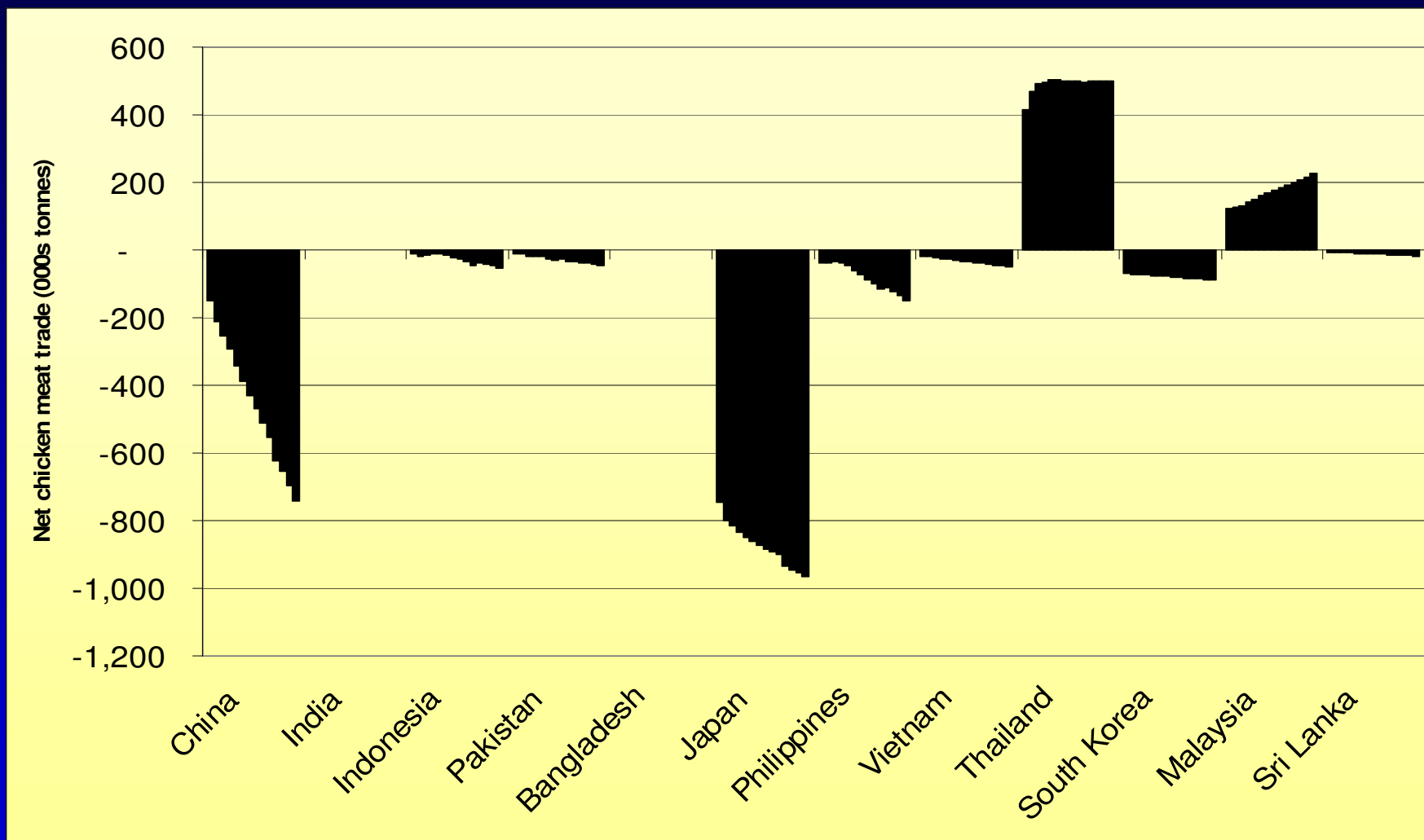
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Projected chicken meat consumption (2007 – 2020)

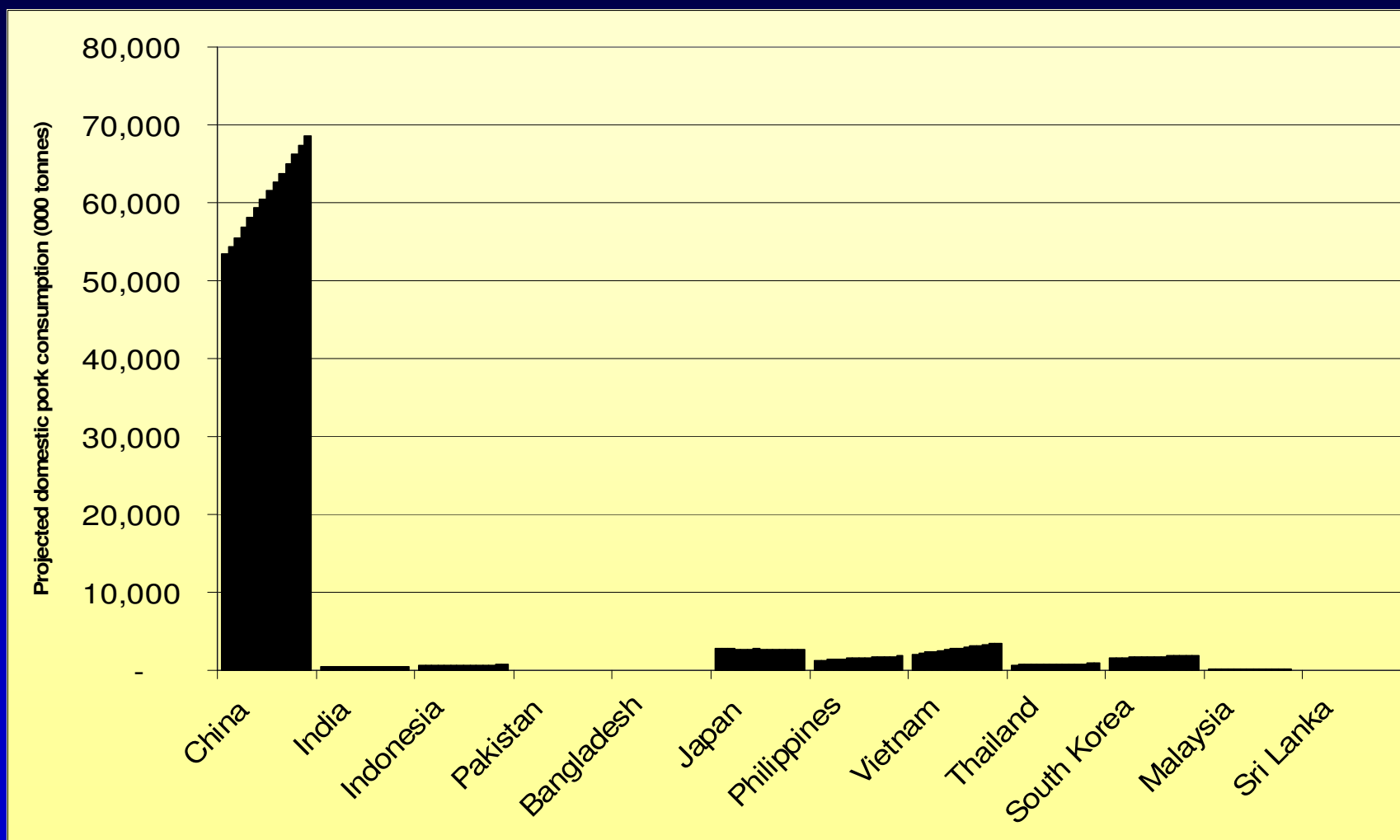


Australian annual production = 800,000 tonnes

Projected chicken meat trade (2007-2020)

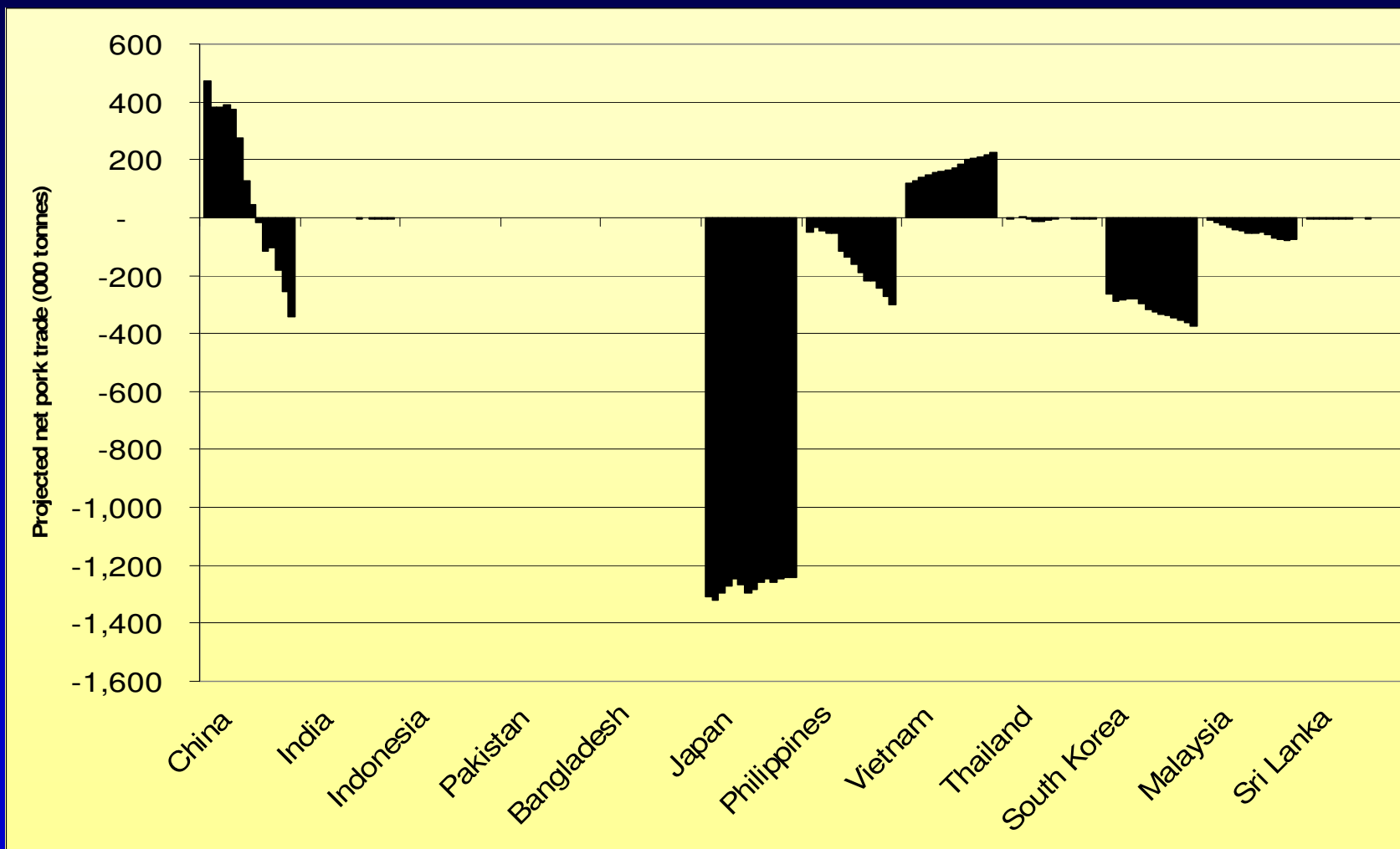


Projected pork consumption (2007-2020)

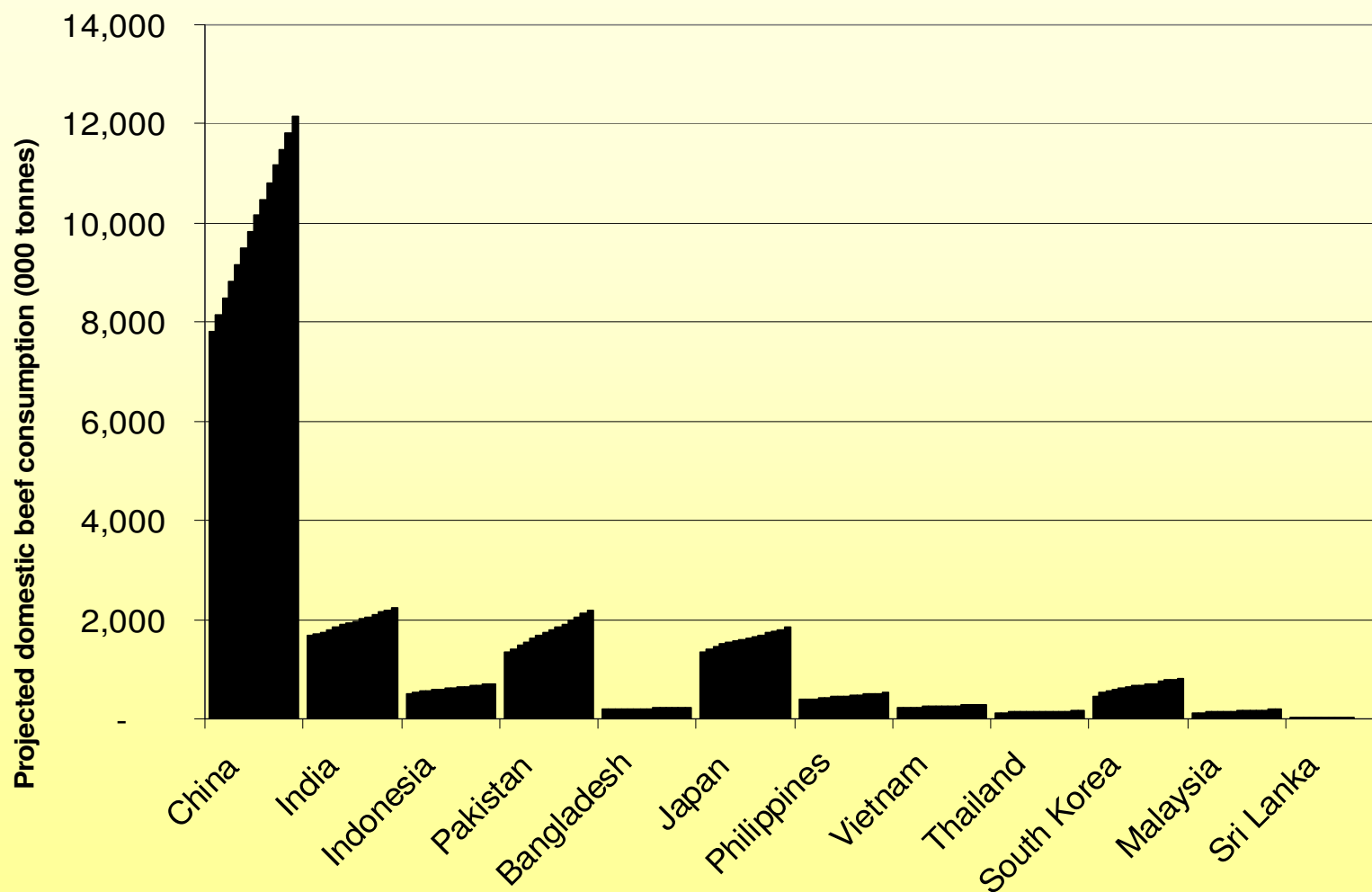


Australian annual pork production = 400,000 tonnes

Projected pork trade (2007 – 2020)

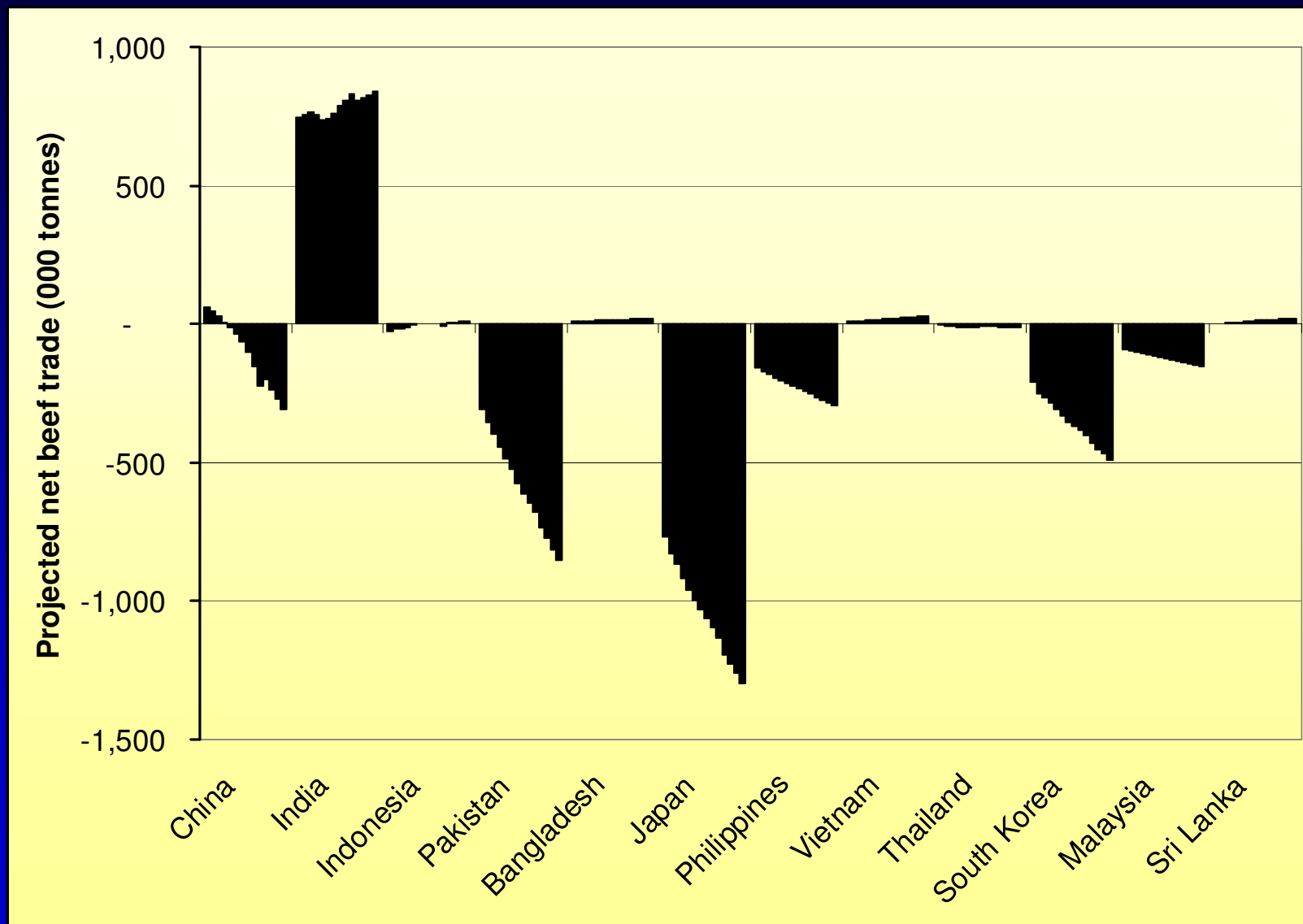


Projected beef consumption (2007-2020)

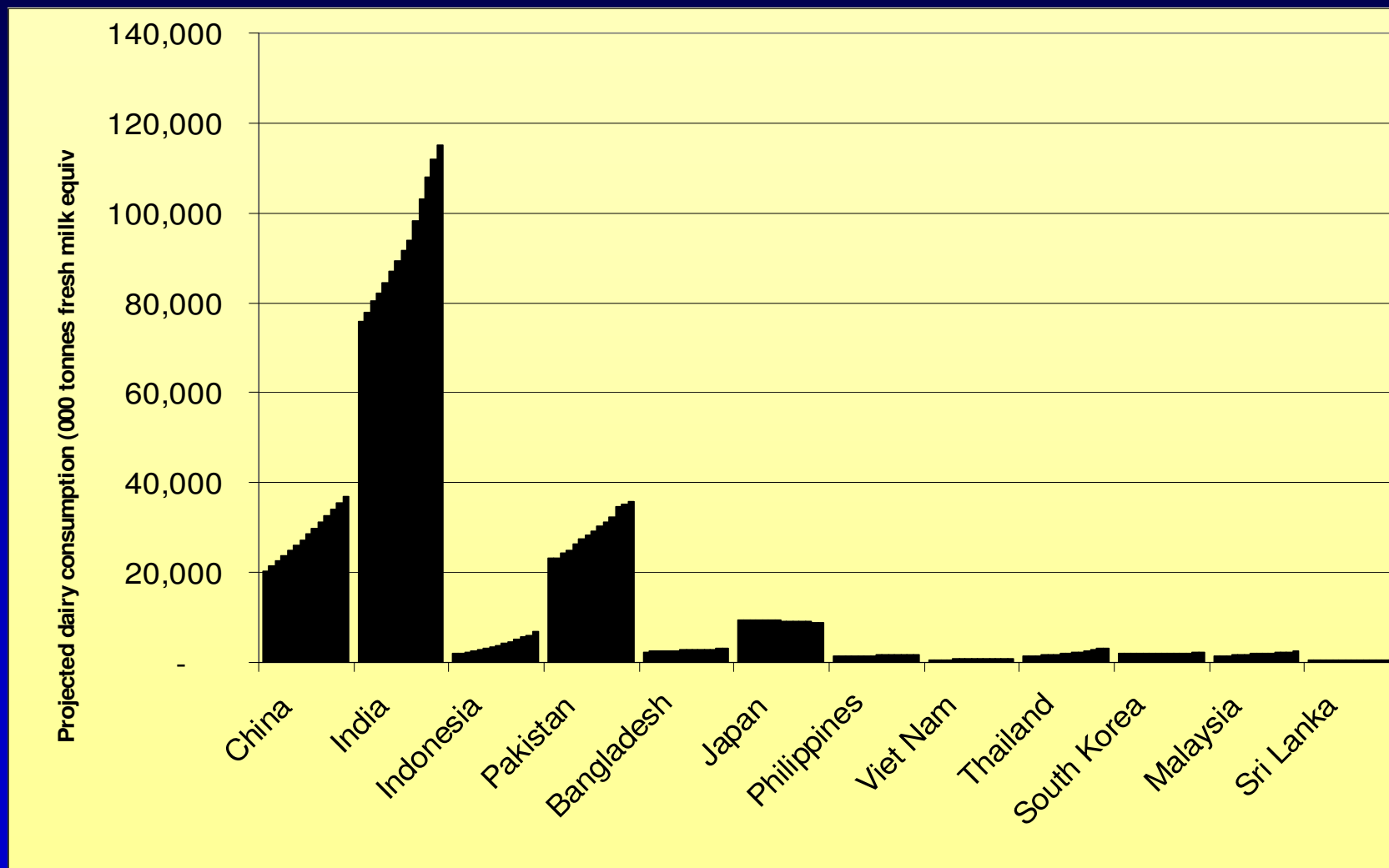


Australian annual beef production = 2,100 kilotonnes

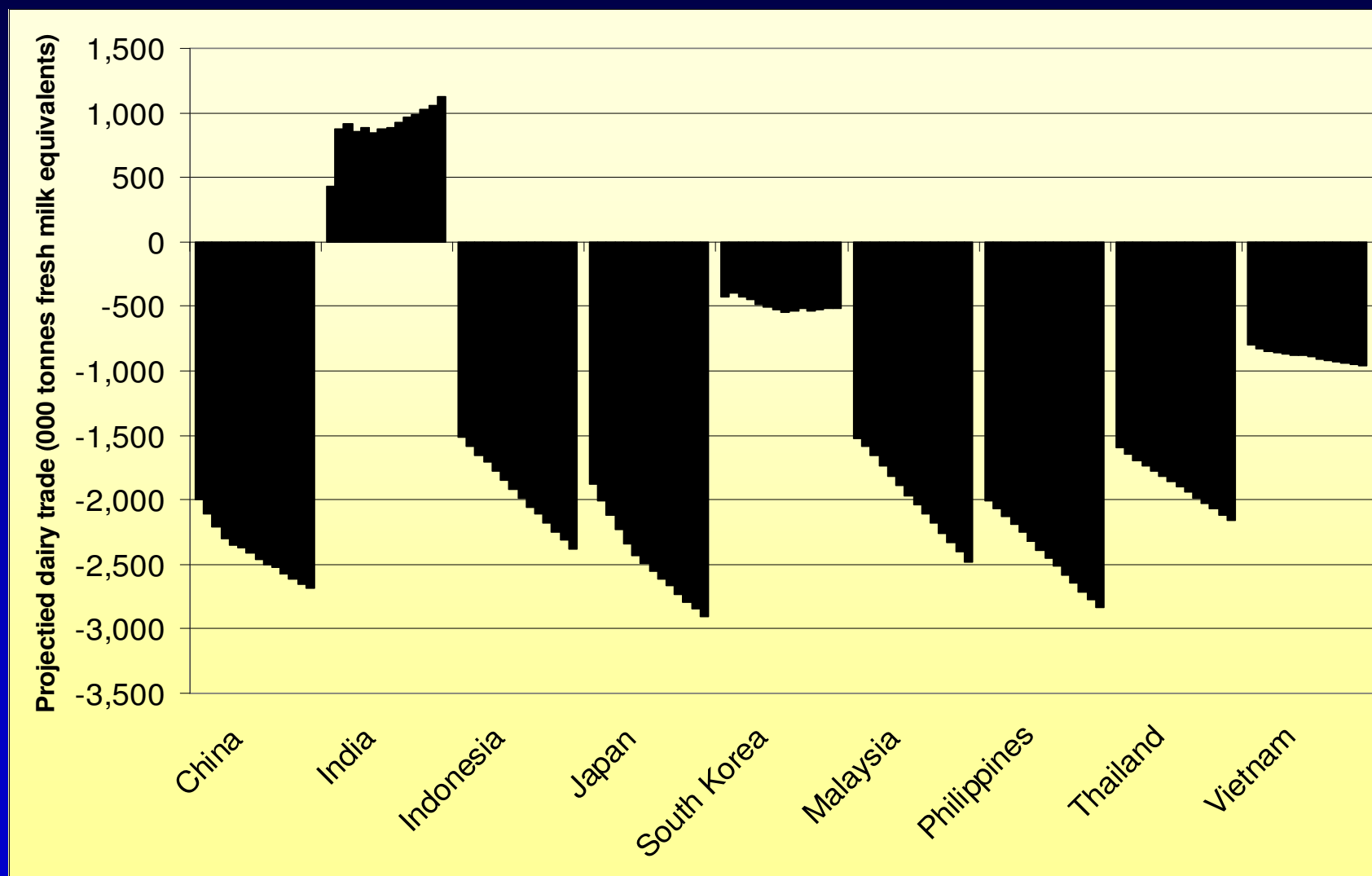
Projected beef trade (2007-2020)



Projected dairy consumption (2007-2020)



Projected dairy trade (2007-2020)



Projected increase in import demand

	Beef (000 tonnes)	Pork (000 tonnes)	Chicken (000 tonnes)	Dairy (000 tonnes wfme)
China	370	814	594	690
India		3		
Indonesia			40	860
Pakistan	545		33	
Bangladesh				
Japan	530	66	220	1,033
Philippines	136	250	109	834
Vietnam			33	166
Thailand	7			568
South Korea	283	111	21	88
Malaysia	59	68		957
Sri Lanka			12	
Total	1,930	1,180	1,062	5,196

Scale of projected increase in import demand

- 50% of Australia's total dairy production
- 86% of Australia's total beef production
- 260% of Australia's total pork production
- 140% of Australia's total chicken meat production

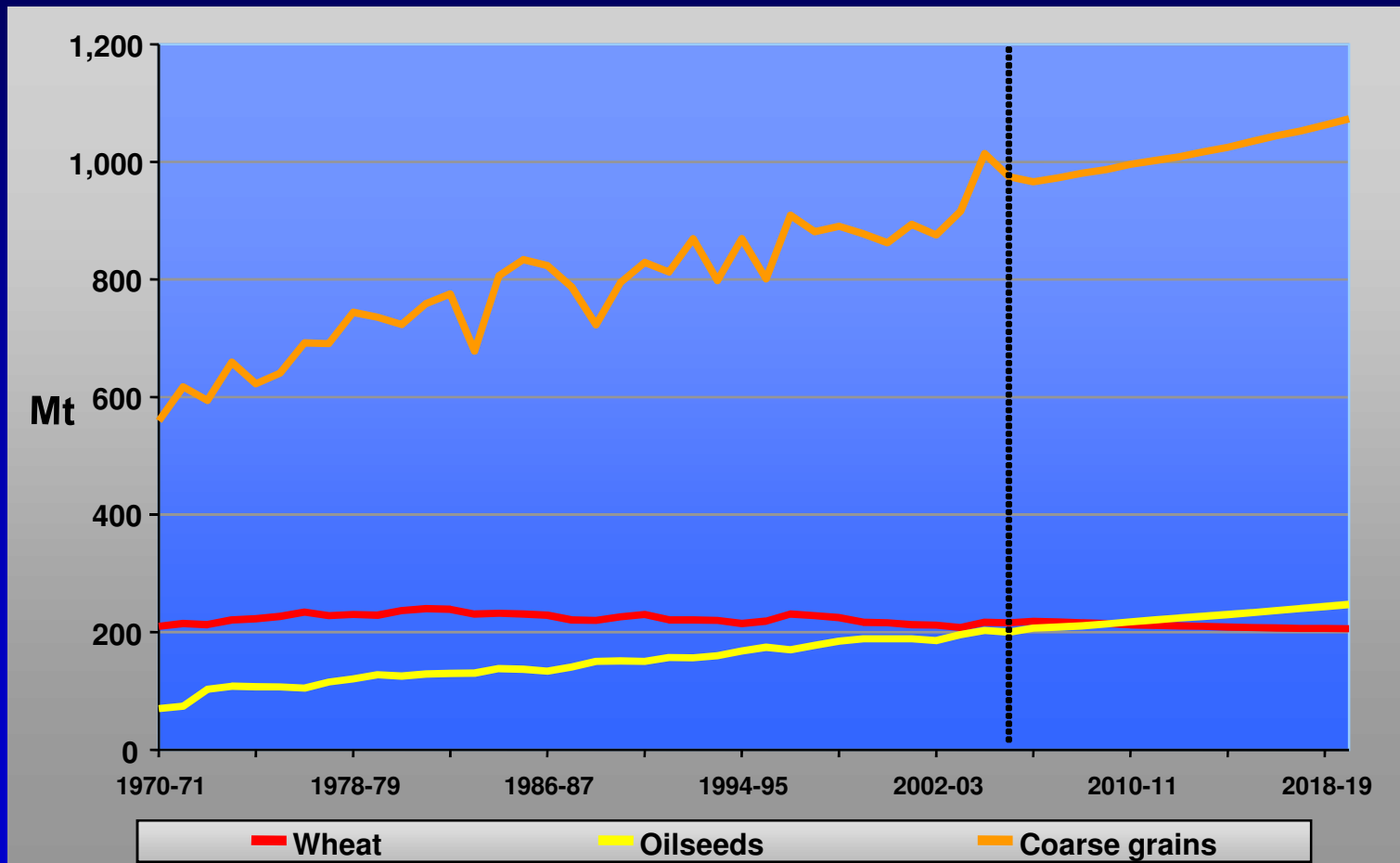
Projected increased feedgrain demand

Product	Feed requirement (kg DM)	Projected production increase	Feed requirement (Mt)
Milk (1 litre)	1.8	72.0	148
Beef – 1 kg liveweight	6.0	5.6	37.3
Pork - 1 kg liveweight	1.4	16.4	25.5
Chicken – 1kg liveweight	1.8	7.3	14.6
Total			225

“Globally, there will need to be an expansion of grain and fodder production of between 350 – 450 Mt, and an increase in oilseed production of between 150 – 200 Mt per annum by 2020.”

World grain production

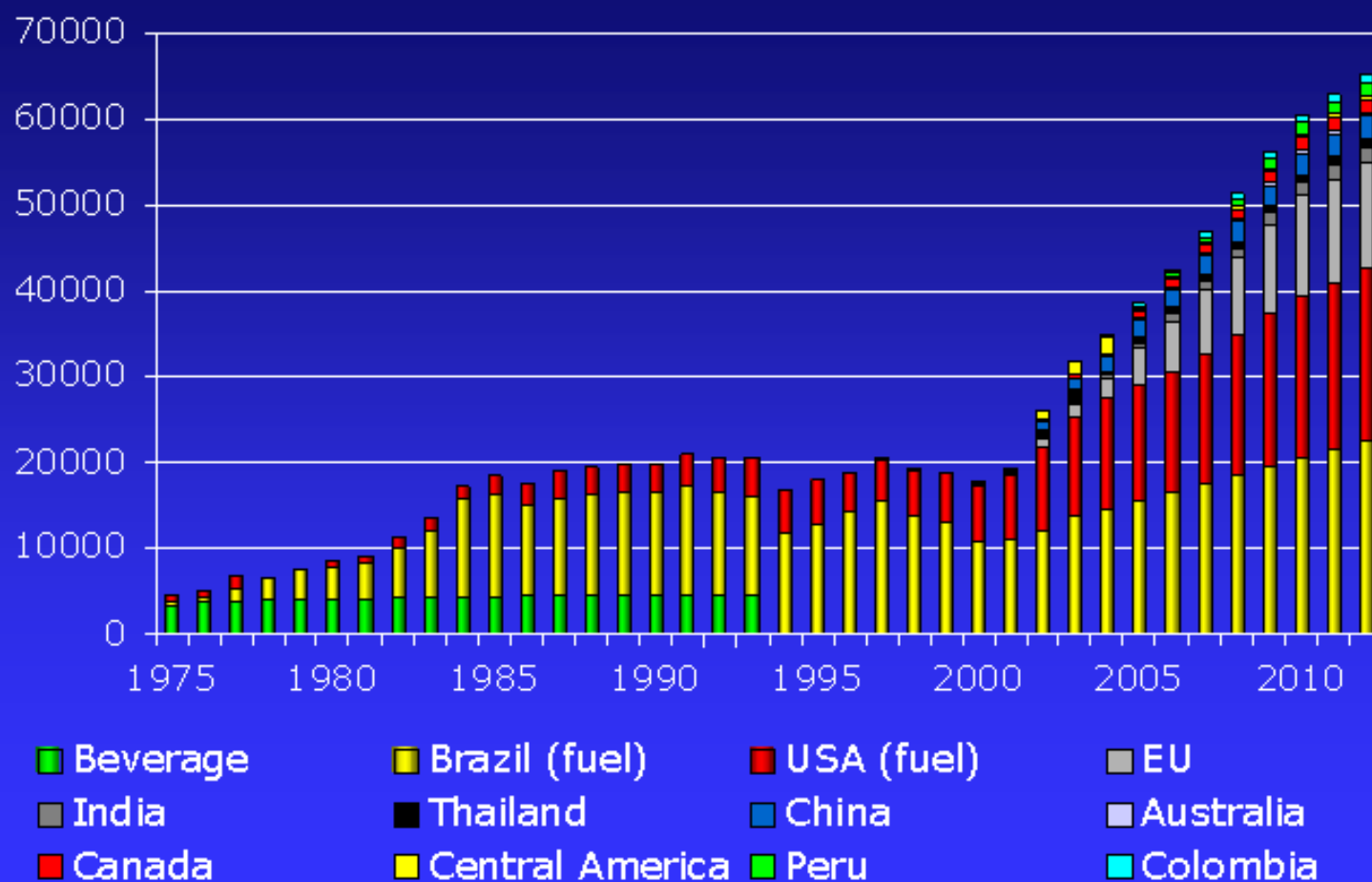
- Global 'business as usual' will only generate between 20 and 30% of projected future feed demand.



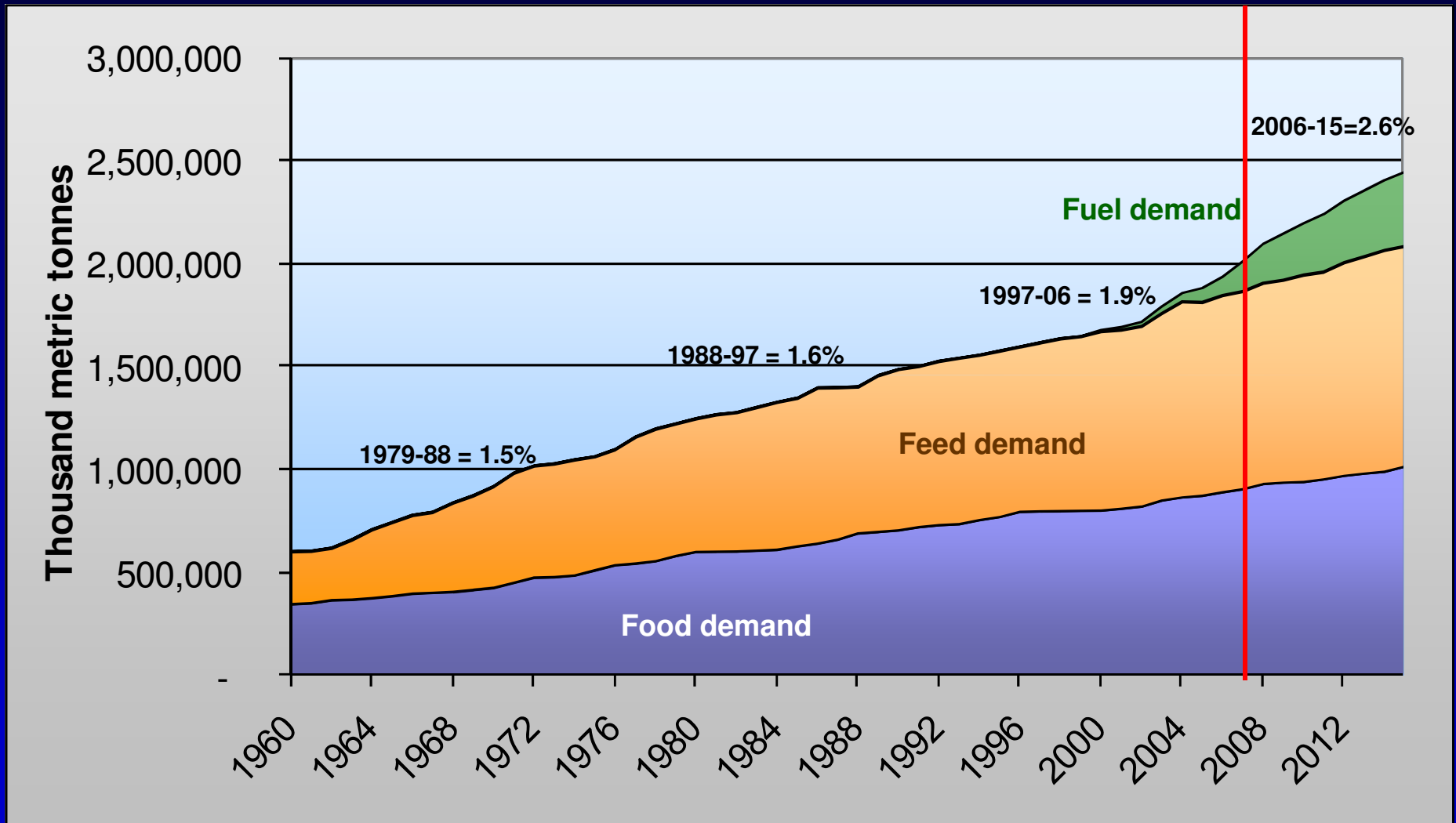
Source: ABARE 2007

Australia's Independent Farm Policy Research Institute

World Fuel Ethanol Production mln litres

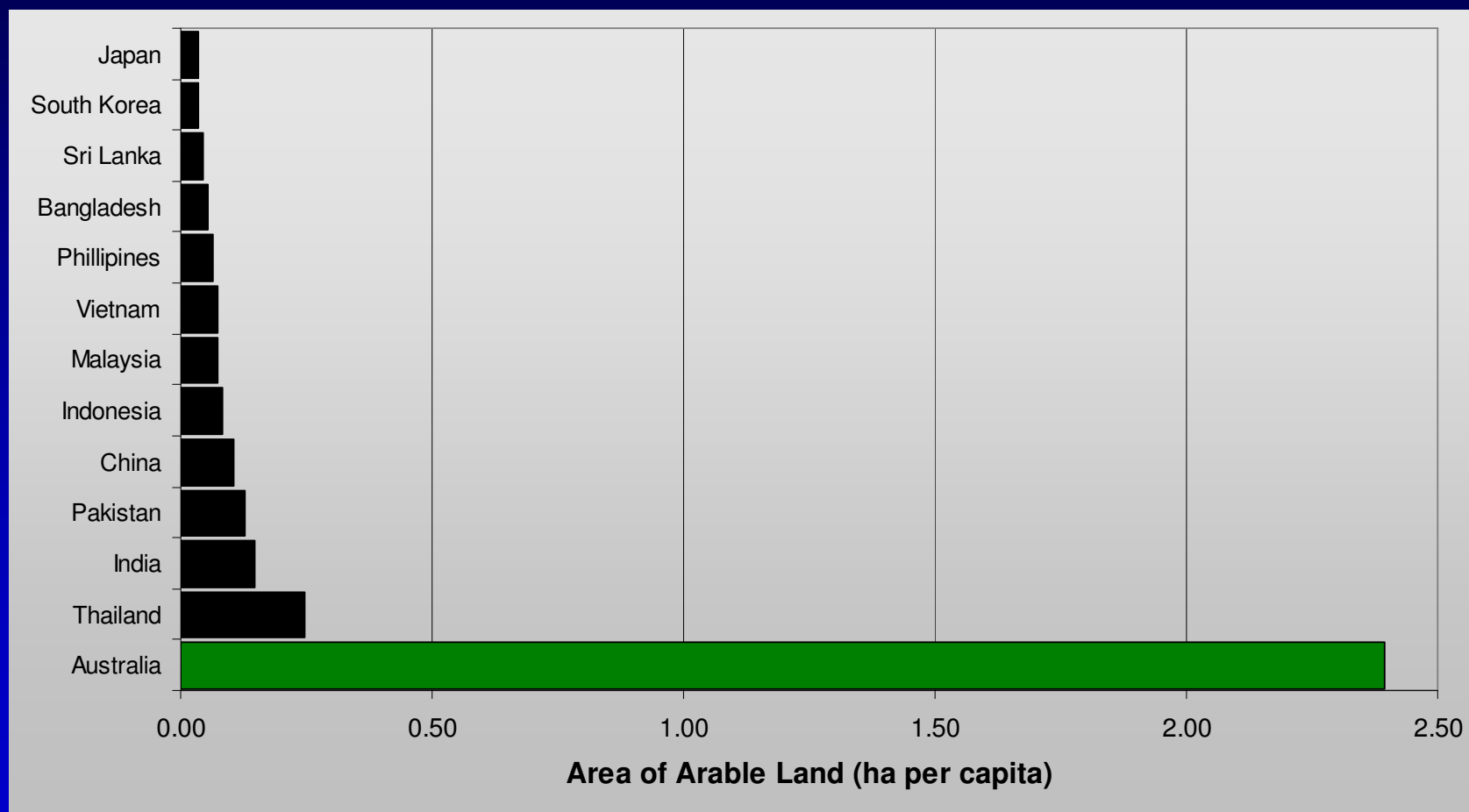


The feed and fuel challenge



Source: Goldman Sachs 2007

Availability of arable land



General conclusions

“While there are many uncertainties, expanding animal protein consumption by consumers in developing Asian nations will undoubtedly present major opportunities for Australian agriculture.”

Global outlook

“We believe the recent rise in agricultural prices is not a transient spike (Goldman Sachs)”

“Structural changes may keep agricultural prices above historical equilibrium levels during the next ten years.... (OECD-FAO)”

“Agricultural income will grow by 21% (real terms) between 2006 and 2014” (EU)



Cargill chief in warning over biofuels boom

By Doug Cameron in Chicago Published: May 30 2007

Nestlé chief fears food price inflation

By Geoff Dyer in Beijing Published: July 5 2007

Commodities surge set to raise food prices

By Javier Blas and Chris Flood in London and Adam Jones in Paris

Published: August 8 2007

Implications of changing Asian demand for animal protein



- Methodology and nations included
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- **Implications for Australian agriculture.**

Implications for Australian agriculture.

- **Feedgrains and oilseeds**
 - Re-examine northern Australia potential for irrigated maize, oilseed, fodder, livestock production system.
 - Agronomic research into maize and oilseed varieties
 - Research to identify new oilseed feedstocks for biodiesel/stockfeed applications
 - Research feed wheat varieties to better meet stockfeed needs.
 - Strategic development plan for fodder industries.

Implications for Australian agriculture.

- **Fuel from crops.**
 - Australia should exercise caution in policies supporting crop-based ethanol production
 - More comprehensive research required into full impacts of 'fuel-from-crops' on livestock sector.
 - Biodiesel appears to have advantages over ethanol

Implications for Australian agriculture.

- **International trade**

- Australia should aggressively pursue regional and bilateral trade agreements that create additional opportunities for expanded Australian agricultural exports to developing Asian nations.

- **Chicken meat**

- While export opportunities are limited, the industry should carefully monitor future developments as they impact on feedgrain supplies.

- **Pork**

- There is some potential for an improved outlook as new demand soaks up international supplies, and opportunities may arise in high-value markets.

Implications for Australian agriculture.

- **Dairy**

- Enormous opportunities emerging, but resource constraints likely to limit potential growth. Moving to higher-value branded products appears the best option to increase industry value.

- **Beef**

- Exciting growth opportunities, but not without competition. Defending high-value markets, targeting emerging high-value markets, and taking any action necessary to maintain disease and safety status will be critical.

- **Live cattle**

- Modest growth in opportunities in the medium-term

Implications for Australian agriculture.

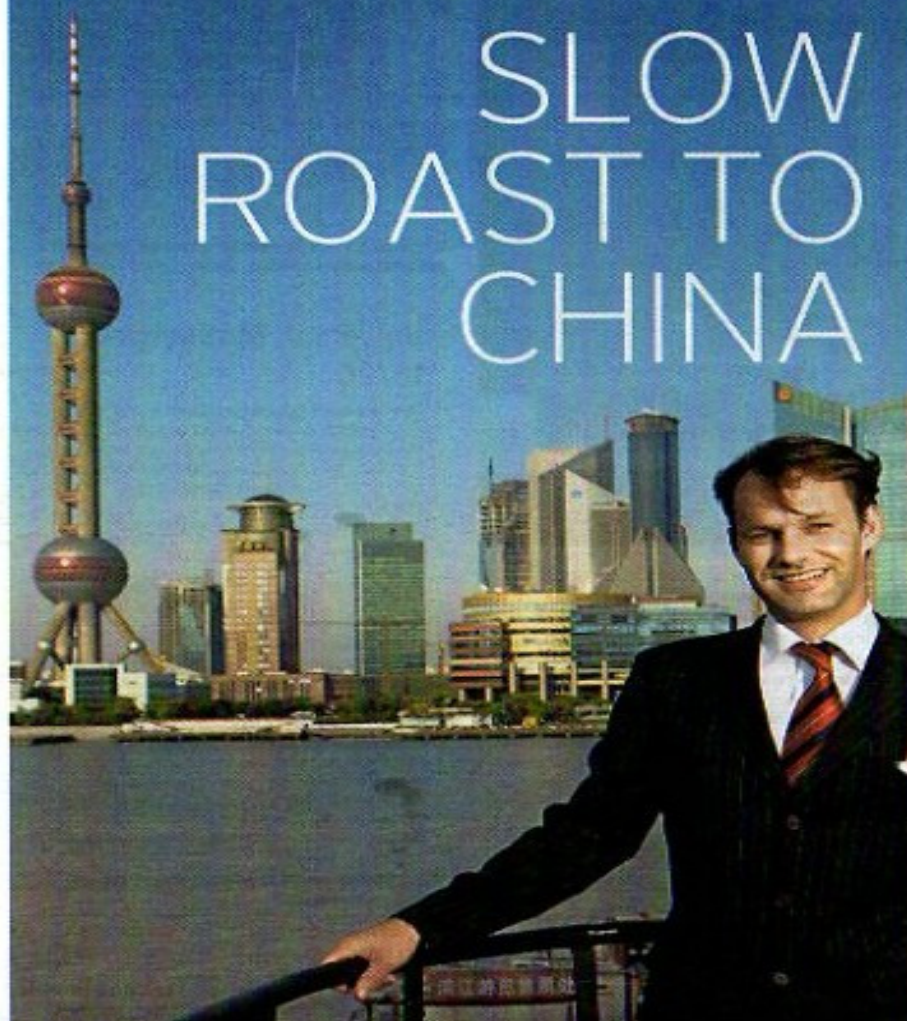
- **Sheepmeats.**
 - Good opportunities in a limited number of markets. Marketing and product-development suited to high-value markets will be important.
- **Live sheep exports.**
 - Increasing competition emerging for Middle-East markets. Some potential for new markets in Asia, although the industry faces a number of emerging challenges. Response strategy required in the event of sudden export cessation.

What of the future ?

- Animal protein and fuel demand creating a very positive medium term price outlook
- Australian agriculture will not win a “commodity drag race” with developing nation exporters.
- A focus on quality and the needs of affluent Asian consumers will be the key to a successful new era of farm profitability.

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SLOW ROAST TO CHINA



China has a growing appetite for quality meat – and our beef and lamb fit the bill.

Australia has won a stranglehold on the meat import business to China with our lamb and beef now showing on the menus in the country's best restaurants. Ne... tonnes of lamb and beef... beasts left our

market seriously and been prepared to stick at it for the long term."

...doing business in China is all about relationships and Australians have recognised this.

Tim Leviny, the general manager of Elders in China, moved with his wife and two sons to Shanghai six months ago. It has been an... journey for all.

QUALITY IS MORE IMPORTANT THAN QUANTITY

"Australia and China are enjoying an incredible relationship at the moment and it's open and honest," says Anthony Puharich of Vic's Premium Quality Meat, which opened a multimillion-dollar processing plant in Shanghai in June.

In the next eight weeks of business, Mascot company will weigh in 30 tonnes of beef and lamb to Shanghai. As with its parent Sydney company, it is supplying the city's top restaurants and hotels.

Puharich ("you can call me the CEO but I'm really just a worker") has hit a rich vein of demand in the Chinese city's barbecue restaurants.

"Our biggest market, and it dwarfs the hotels and restaurants, are the Japanese and Korean barbecue restaurants," he says. "Of Shanghai's 80,000 restaurants, 1500 are these barbecue restaurants.

transport... companies are reaping... several decades of intensive groundwork. The trade is aided by the Chinese embargo on meat imports from the US.

Australian companies are expanding their efforts from hotels and restaurants into the now ubiquitous supermarket chains catering for the unstoppable march of the Chinese middle class.

The opportunities for growth are rosy as Australian companies expand operations to

We are only dealing with maybe 15 of them at the moment and they are using huge quantities. They have gone mad for Australian meat, especially wagyu."

The Puharichs' Chinese partner is a... Sydney meatworks who regularly visits the airport, following city meetings, to buy produce to take home to Shanghai.

"He and I started talking in November last year, mainly about Vic's Meat and its emphasis on quality and personal service, and it went from there," Puharich says.

"Look at it: China has the Olympics next year, it's a growing economy and products, whether it's wagyu or shoes. The seed was planted.

"There was a business reason and a personal reason to do it. When you think

stalls and wet... have customarily bought their...

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