



BEEF OUTLOOK 2009
AAAC Outlook Conference
Nov 2008
Alan Peggs

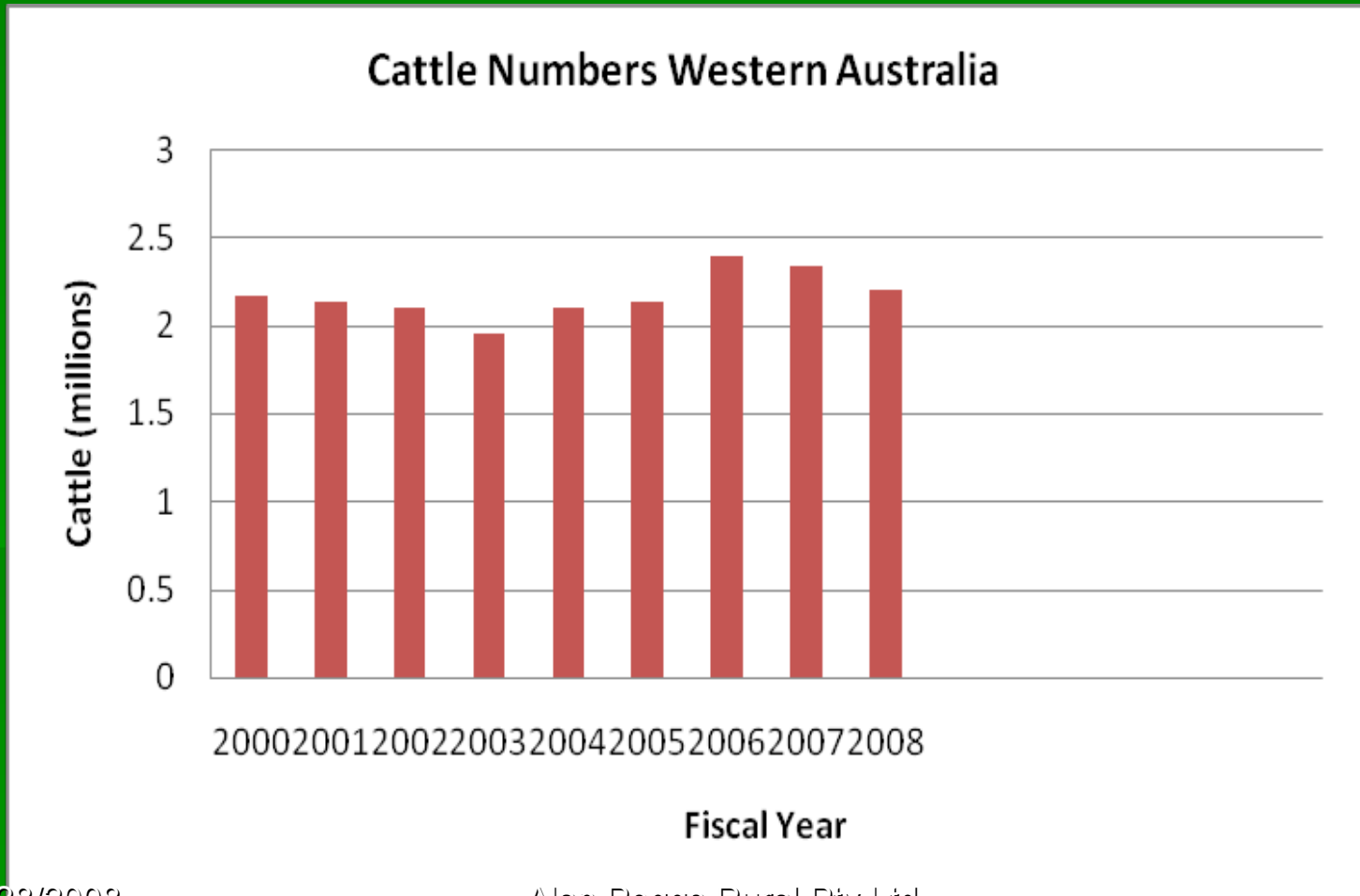
11/28/2008

Alan Peggs Rural Pty Ltd
Nedlands WA

Outline

- Cattle Numbers/Turn-Off
- Beef Production
- Beef Exports
- Live Exports
- Price Outlook – Beef/Live Cattle
- Lot Feeding
- Profitability of Beef Production

Cattle Numbers



Cattle Numbers

- 2008 est 2.20 m head ↓
- Peaked 2006 est 2.39 head
- WA 8.0% of Australia's cattle
- Anticipate cattle numbers in WA will continue to fall in the near future
- Fall will mainly be in the agricultural areas; un-favourable short-term outlook
- Pastoral possibly increase; favourable short-term outlook

Cattle Turn-Off

Year	Number	Slaughter	Live Export	Turn-Off	Turn-Off
	m hd	'000 hd	'000 hd	'000 hd	%
2005	2.13	510.5	279.4	790.3	37.1
2006	2.39	434.0	290.2	724.2	30.3
2007	2.33	448.7	301.8	750.5	32.2
2008	2.20	487.4	252.2	739.6	33.6

Mated Angus Heifer 2007 West Midlands



11/28/2008

Alan Peggs Rural Pty Ltd
Nedlands WA

Cattle Turn-Off

- Big change in slaughterings 2005 v 2006
- EG Green & Sons – closure
- Recovery in slaughterings in 2008
 - increased export focus by beef processors
- Reduction in live exports in 2008 – seasonal conditions

Beef Production

Year	Slaughter	Carcass Wt	Beef
	'000 hd	kg	t cw
2005	510.5	257.9	131.7
2006	434.0	261.7	113.6
2007	448.7	256.2	114.7
2008	487.4	249.7	121.7

Beef Production

- Production peaked 2005 – 131,700 t cw
- Decline 2006 – Greens - 113,600 t cw
- Recovery 2008 - 121,700 t cw
- Slaughter numbers up 9% on 2007
- Carcass weight down 3%
- Herd liquidation ?

Grading High Marbling Angus Carcasses destined for Japan



11/28/2008

Alan Peggs Rural Pty Ltd
Nedlands WA

10

Beef Exports

Market	2005	2006	2007	2008
	t sw	t sw	t sw	t sw
Indonesia	2020	2240	3670	6290
Japan	11450	7260	6560	7350
Russia	0	240	250	1080
Singapore	150	150	560	1610
South Korea	4560	5350	7330	6290
Taiwan	1380	1720	1100	850
United States	6500	3020	3000	2510
Others	1560	1480	1450	2170
Total	27600	21440	23890	28150

Beef Export Trends

- Japan – most important market ~26% share
- South Korea ~ 22% share
- Indonesia – substantial growth 3 x 2005 ~ 22% share
- 3 Markets = 66% exports
- Russia – expanding; albeit small base
- Traditional destinations – US, Canada, Taiwan – manufacturing beef ~ declining

Live Exports

Year	Australia	Western Australia	WA Share
	'000 hd	'000 hd	%
2005	637.7	279.4	44
2006	572.8	290.3	51
2007	634.3	301.8	48
2008	719.5	252.2	35

Highly Marbled MS 9+ Wagyu Beef destined for Japan



11/28/2008

Alan Peggs Rural Pty Ltd
Nedlands WA

14

Live Exports – Markets 2008

Market	Number	Share	Value
	'000 hd	%	\$/hd
Indonesia	145.7	58	660
Israel	56.0	22	630
Malaysia	10.7	4	581
Saudi Arabia	10.8	4	1277
Malaysia	10.7	4	581
Kuwait	1.1	0	1302
Mexico	0.7	0	1277
China	0.3	0	1729
Total	252.2		723

Live Exports-Trends

- Dependent in 2 Markets ~ 80% share
- Indonesia ~ 58%
- Israel ~ 22%
- Small market for high value dairy/beef breeding cattle ~ China/Mexico/Kuwait
- ? Russia ~ 2008-9 high value dairy/beef breeding cattle

Brahman weaners destined for Indonesia



11/28/2008

Alan Peggs Rural Pty Ltd
Nedlands WA

17

Beef Cattle – Price Trends

Year	Trade Steer 330-400 kg lw	Medium Steer 400-500 kg lw	Japan Ox 500-600 kg lw	US Cows 400-520 kg lw
	c/kg lw	c/kg lw	c/kg lw	c/kg lw
2005	172	152	155	113
2006	170	147	148	103
2007	160	138	140	91
2008	165	147	148	121

Beef Prices – Price Trends

- Last four years prices trended downwards
- Trade Steer ~ -4%
- Medium Steer ~ -3%
- Japan Ox ~ -4%
- US Cows ~ +7% ?
- Increase in USD : AUD exchange rate
- 2005 USD:AUD av 75.13
- 2008 “ “ av 92.00 est

Forecast Prices 2009

- Financial crisis Sep/Oct impact ~ credit squeeze beef importers esp. Korea/Russia
- Decline in USD:AUD exchange rate
- 30 Jun 2008 ~ 96.19 c
- 27 Nov 2008 ~ 64.99 c
- 32% fall in value of AUD
- Expect upturn in prices

Black Simmental x Angus weaners Bridgetown 2007



11/28/2008

Alan Peggs Rural Pty Ltd
Nedlands WA

21

Price Forecast 2009

- Weaner steers ~ 185 c/kg lw
- Weaner heifers ~ 170 c/kg Euro x
- “ ~ 155 c/kg British
- Trade Steers ~ 175 c/kg lw or \$3.10/kg cw
- Grain-fed Yearlings ~ \$3.30/kg cw early
- ~ \$3.80/kg cw late
- 180-240 day Steers ~ \$4.20/kg cw
- Live Export Steers ~ \$1.75/kg lw

Lot Feeding Economics 2009



11/28/2008

Alan Peggs Rural Pty Ltd
Nedlands WA

23

Lot Feeding Economics

- New Ball Game 2009 c.f. 2008
- Much lower grain prices !
- Feed barley \$180/t or less c.f. \$320/t
- ANW2 wheat \$240/t or less c.f. \$380/t
- Feed wheat \$190/t or less

Feedlot Economics-Sensitivity to Price Grain-fed Yearling

Price	British Steer	Euro Steer
\$/kg cw	GM \$/hd	GM \$/hd
3.30	-17	7
3.40	6	35
3.50	29	62
3.60	53	90
3.70	76	118
3.80	99	146
Carcass Weight	238 kg	283 kg

Medium Fed Steers-Japan

Parameters – Angus/Red Angus/Shorthorn/Murray Grey

Entry Weight : 400 kg; Price : \$1.70/kg lw

FCE : 9.0: 1 kg DM

Feed Cost : \$227/t DM; Barley \$180/t; Lupins \$275/t

Gain : 1.50 kg/day; Days Fed : 180 days

Finish : 670 kg lw; Dressing : 58%; 388.6 kg cw

Price : \$4.20/kg cw; -2% = c.\$4.12 deaths/discounts

Income : \$1600/hd

Costs : \$1360/hd

GM : \$240/hd

Beef Profitability 2009

Enterprise	Fertilizer Prices Jan 2008	Fertilizer Prices August 2008	Change
	c/kg lw	c/kg lw	c/kg lw
Trade Steers			
Income	1.68	1.68	0.00
Costs	1.57	1.91	+0.34
Margin	+0.10	-0.23	-0.34
Weaner Steers			
Income	1.68	1.68	0.00
Costs	1.64	1.98	+0.34
Margin	-0.03	-0.30	-0.34

SUMMARY Beef Outlook 2009

- Cattle Numbers Declining 2.2 m ~ 8% Aust
- Herd Liquidation – Agric
- Beef Production Up
- Beef Exports Increase ~
Japan/Korea/Indonesia key
- Live Exports ~ 30+% Australia's Export
- Dependant on Indonesia 58%; Israel 22%
- Beef Prices – decline 2005-2008 c.9%

SUMMARY Beef Outlook 2009

- Weaner Steers – 185 c/kg lw Euro x
- - 170 c/kg lw British
- Heifers - 155 c/kg lw
- Trade Steers - 175 c/kg/lw ~ \$3.10/kg lw
- Grain-fed Yearlings - \$3.30-\$3.80/kg cw
- 180 Day Steers - \$4.20/kg cw
- Live Export Steers - \$1.75/kg lw
- Lot Feeding – low grain prices economic at \$3.60-\$3.70/kg cw
- Fertilizer price rise significant **negative** impact on profitability of beef breeding enterprises in 2009