

# Industry Insights

Forecast summary and input costs

April 2024

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Welcome to AMPC’s new series of *Industry insights* which will provide topical analysis of economic and production issues affecting the red meat processing industry. This edition provides a consolidated summary of longer-term economic and industry forecasts, as well as analysis of processor input costs. The focus of our insights will change to reflect recently released data and current issues impacting our sector.

For more information or feedback about this update please contact Seamus Hoban – AMPC’s Data and Insights Manager on [s.hoban@ampc.com.au](mailto:s.hoban@ampc.com.au) or M: 0437 382 339.

### Key takeaways

- **Recovering Australian and international economy**
- **Slaughter throughput will continue to increase in 2024 subject to labour availability**
- **Declined US beef production to reduce exports and increase imports, both creating opportunities for Australian product**
- **Processor input prices for energy and utilities have risen at a rate above CPI far exceeding prices received for processing outputs which have declined in the past 2 years highlighting the inability of processors to pass on higher costs down the supply chain**

### Australian economy

The Reserve Bank of Australia is forecasting the Australian economy will steadily recover from 2023-24 lows with annual economic growth of 1.9 – 2.4% in the coming years

Inflation will continue to decline in 2024-25 and remain within 2-3% range in subsequent years. Price inflation of goods has declined faster than expected. However, inflation of services prices remains stubbornly high due to excess demand and labour shortages.

The labour market is expected to remain tight but with the unemployment rate rising slightly from recent lows and constrained wage growth.

The Australian dollar remains low with the Trade Weighted Index sitting below its 10 year average, making Australian meat more competitive on global markets. ABARES is forecasting the AUD to appreciate to over US70c within the coming years, backed by stronger commodity trade and investment but has also flagged an alternative scenario where lower global economic growth spurs demand for the safe-haven US currency.

Following the Covid-19 recovery, ABARES has flagged an increase in supply chain disruption in recent months partly reflecting escalating geopolitical and military conflict in the Middle East and disruptions to Red Sea shipping routes.

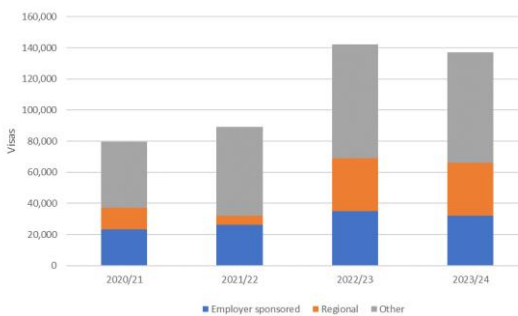
The Federal Government has allocated 137,100 Skilled Migration Visas for 2023-24, down 4% from last financial year but well above Covid-19 levels.



Source: RBA, ABARES Forecast  
Figure 1 Economic growth, inflation and exchange rate forecasts



Source: Federal Reserve Bank of New York  
Figure 2 Global Supply Chain Pressure Index



Source: Dept. of Home Affairs  
Figure 3 Skilled migration visa places

Table 1 Summary of economic forecasts

Item	Unit	2023	2024	2025	2026	ABARES
GDP Growth	Per cent	1.5	1.8	2.3	2.4	RBA
CPI inflation	Per cent	4.1	3.2	2.8	2.6	RBA
Unemployment Rate	Per cent	3.8	4.3	4.4	4.4	RBA
AUD/USD	US\$/A\$	0.66	0.69	0.72	0.73	ABARES
Cash rate	%	4.2	3.9	3.4	3.2	RBA

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## Cattle and beef

MLA has forecast the Australian cattle herd will contract over the next three years, with slaughter numbers increasing to 7.85m in 2024 (up 11.7%), and beyond 8m in 2025. The large majority of turnoff growth is expected to come from the northern growing region.

Significant variation has been noted between MLA and ABARES herd numbers, with estimates varying by around 2.8 million head (about 10%). The difference has been attributed to different modeling methodologies including the exclusion of dairy and small farmers in ABARES figures.

Throughput projections are dependent on red meat processors being able to ramp up processing overcoming critical staff shortages.

Higher turnoff and increased grass finishing is expected to cause carcass weights to ease slightly.

MLA's survey of heavy steer price forecasts shows prices rising to 318c/kg lwt by mid 2024.

The US beef herd is forecast to reach the lowest point in 72 years in 2024, with the female slaughter rate remaining well above the long-term average. Declined US production is expected to reduce exports and increase imports, both creating opportunities for Australian product.

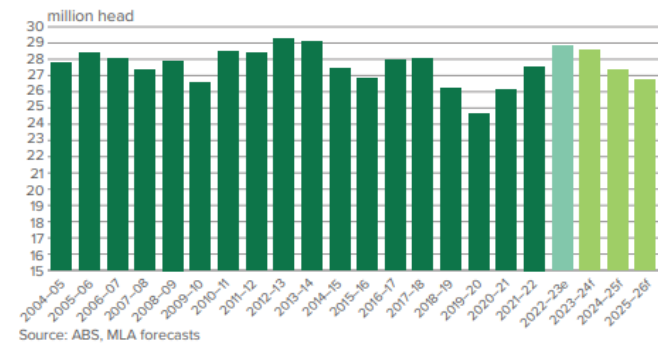


Figure 4 Forecast cattle herd (MLA)

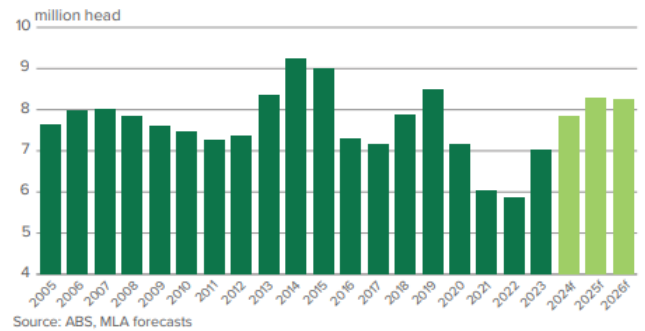


Figure 5 Forecast cattle throughput

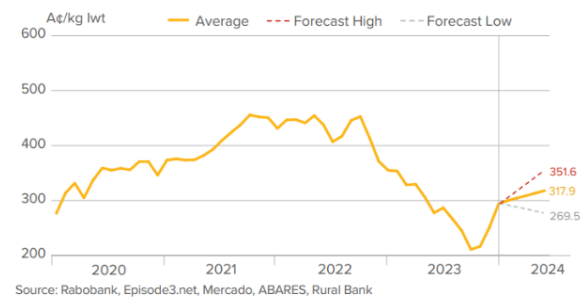


Figure 6 Aggregated industry average heavy steer price forecast

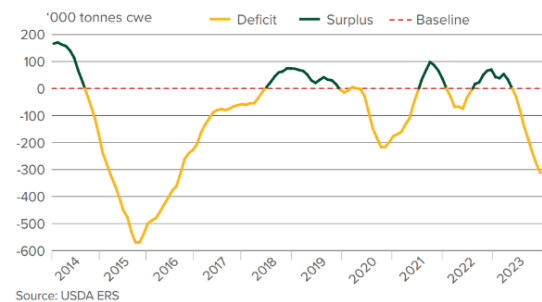
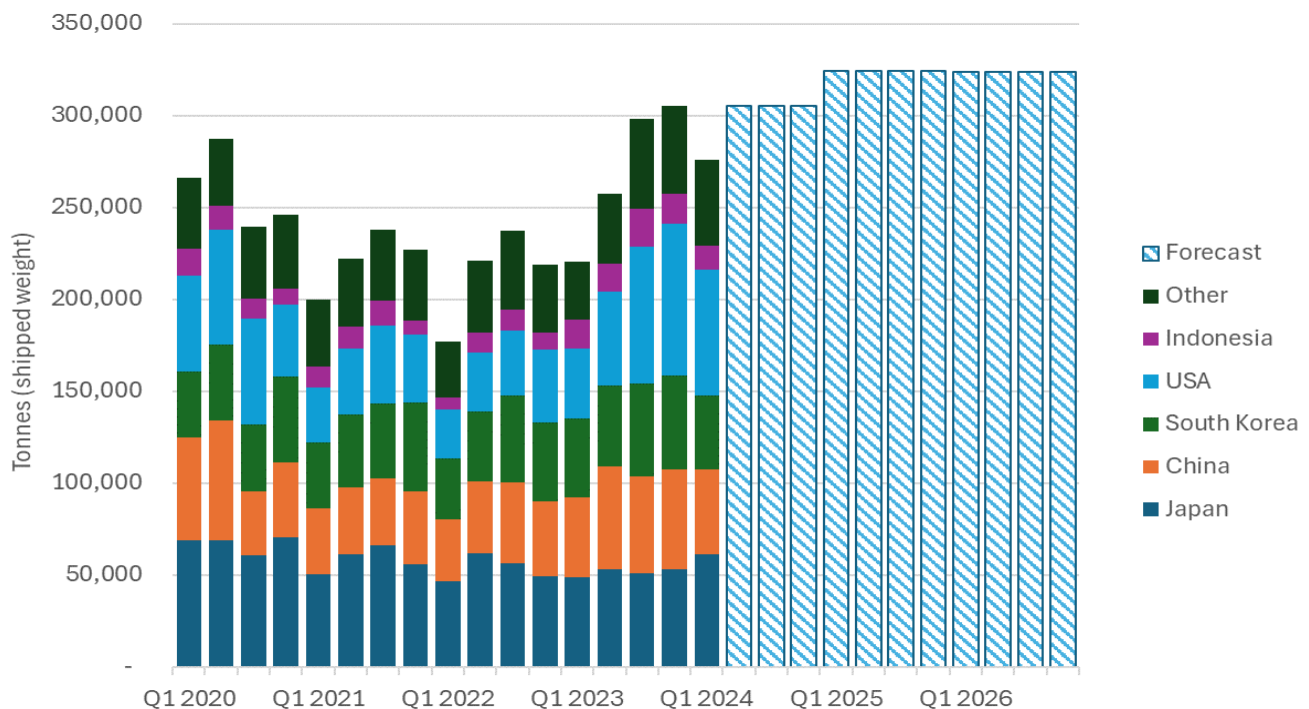


Figure 7 US beef net trade balance (exports-imports) 2014-2023

Table 2 Cattle and beef projections

Item	Unit	2023	2024	23-24 change	2025	2026	Source
Herd	million head	28.7	28.6	-0.4%	27.4	26.8	MLA
Slaughter	million head	7.4	8.2	10.6%	8.6	8.6	MLA
Production	million tonnes (cwt)	2.2	2.5	10.7%	2.6	2.6	MLA
Live Exports	million head	0.7	0.7	7.3%	0.8	0.8	MLA
Domestic Consumption	million tonnes (cwt)	0.6	0.6	2.1%	0.7	0.6	MLA
Exports	million tonnes (cwt)	1.6	1.8	12.9%	1.9	1.9	MLA
	million tonnes (swt)	1.1	1.2	12.9%	1.3	1.3	MLA

Figure 8 below shows quarterly beef exports by market destinations and the forecast volumes through to 2026.



Source: DAFF, MLA, annual forecasts converted to quarterly averages

Figure 8 Australian beef and veal exports (quarterly by destination and forecast)

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## Lamb and sheepmeat

- MLA has forecast the Australian sheep flock will contract by around 2.9% in 2024 to 76.5 million head, and continue to decline in 2025 and 2026. This is consistent with MLA's recent producer sentiment survey which suggests 44% of producers intend to decrease their flock in 2024. Labour shortages, particularly for shearers, is expected to change sheep demographics over time leading to more shedders and meat breeds, particularly in WA.
- Slaughter rates (sheep and lambs) are expected to increase by around 4.8% in 2024 to 36.2 million head in 2024, before declining in subsequent years.
- Increased production of lamb and sheepmeat is expected to lift export volumes to record highs of 600,000 tonnes (cwe) with domestic consumption also rising to above 335,000 tonnes (cwe).
- ABARES is forecasting sheep and lamb prices to steadily recover over the coming 2 years. MLA's survey of heavy lamb prices forecasts shows prices rising to 763c/kg cwt by mid 2024.

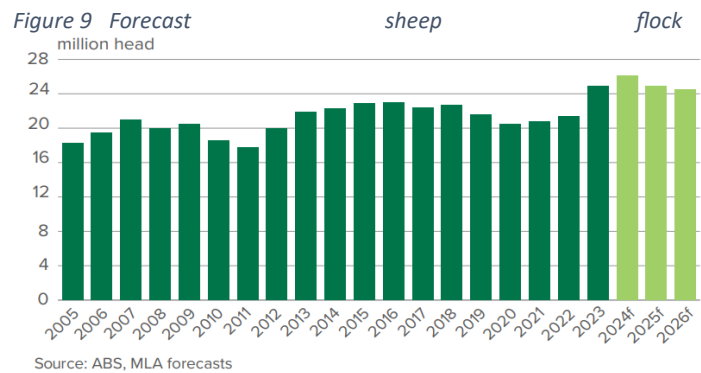
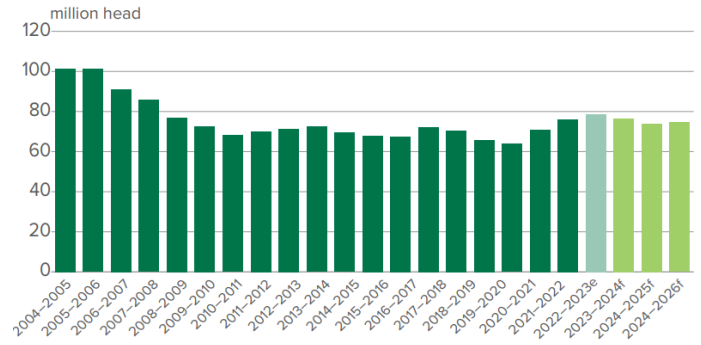


Figure 10 Forecast sheep slaughter

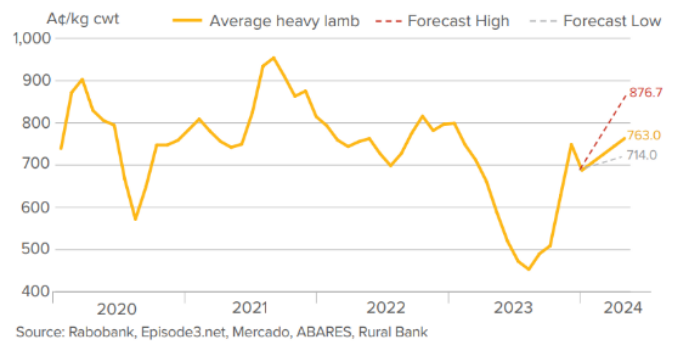


Figure 11: Aggregated industry average heavy lamb price forecast

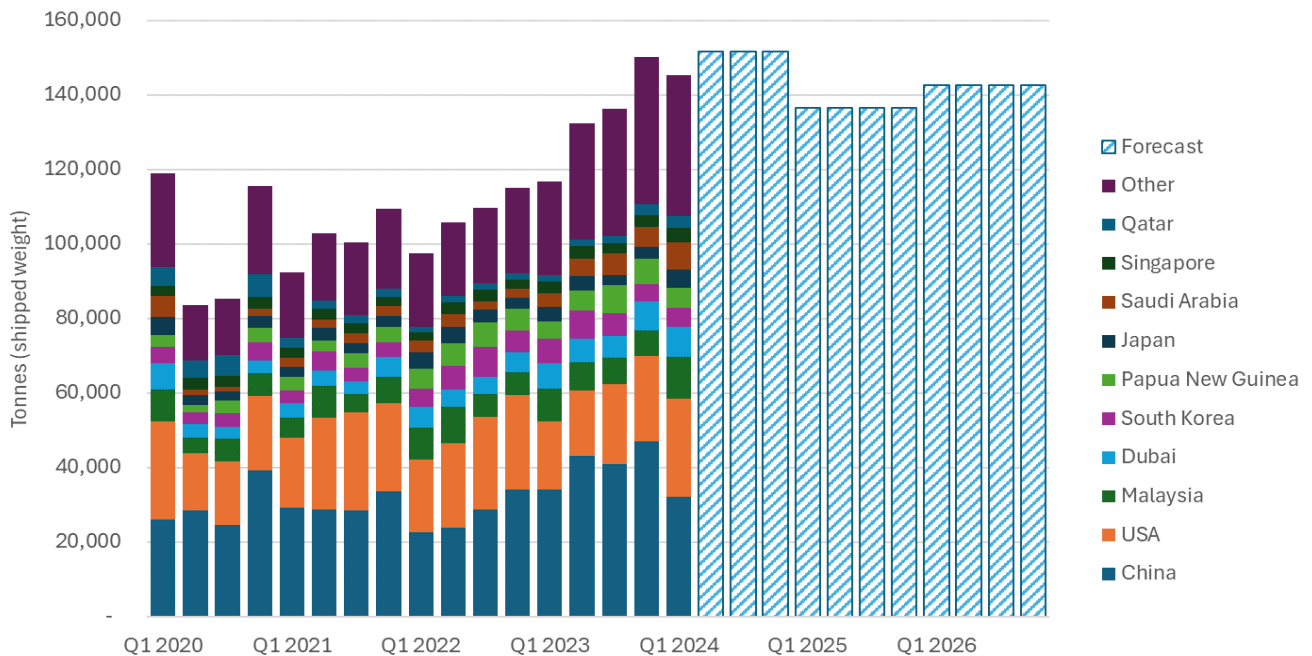
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Table 3 Lamb and sheepmeat projections

Item	Unit	2023	2024	23-24 change	2025	2026	Source
Flock	million head	78.8	76.5	-2.9%	74.0	74.5	MLA
Sheep Slaughter	million head	9.7	10.1	4.0%	9.3	8.0	MLA
Lamb Slaughter	million head	24.9	26.1	4.8%	24.9	24.5	MLA
Total Production	000 tonnes (cwt)	845	875	3.6%	816	813	MLA
Live Exports	000 head	612	670	9.5%	700	650	MLA
Domestic Utilisation	000 tonnes (cwt)	192	230	19.8%	235	210	MLA
Mutton Exports	000 tonnes (cwt)	210	211	0.5%	191	172	MLA
	000 tonnes (shipped weight)	231	235	1.7%	212	191	MLA
Lamb Exports	000 tonnes (cwt)	326	335	2.8%	301	342	MLA
	000 tonnes (shipped weight)	358	372	3.9%	334	380	MLA

Figure 12 below shows quarterly sheepmeat exports by market destinations and forecast volumes through to 2026.



Source: DAFF, MLA, annual forecasts presented as quarterly averages

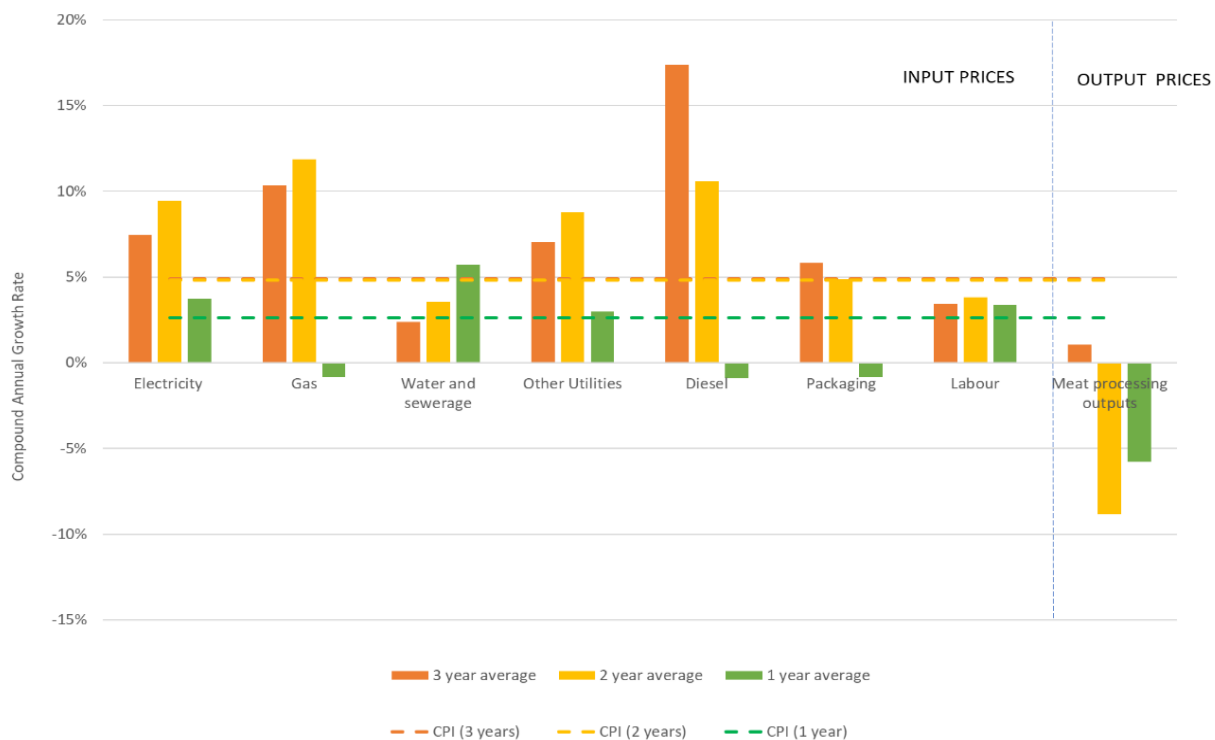
Figure 12 Australian lamb and mutton exports (quarterly by destination and forecast)

## Processor input costs

An AMPC analysis of processor input costs (excluding livestock) shows the average Annual Growth Rate (CAGR) in indexed prices over the past:

- 3 calendar years (2021-2023)
- 2 calendar years (2022-2023) and
- 1 calendar year (2023)

For comparison prices are compared with the Consumer Price Index (CPI) and prices received for meat processing outputs (Figure 13).



Source: ABS 6401, 6427, 6345, Fuelwatch

Figure 13: Annual growth in meat processing input costs (excluding livestock), compared with CPI and meat processing outputs

The results highlight the significant increase in energy and utility prices experienced over the period, which rose at a rate above CPI and far exceeding the prices received for processing outputs which have declined in the past 2 years. The results highlight the inability of processors to pass on higher costs down the supply chain.



## Useful resources

Federal Reserve Bank of New York, *Global Supply Chain Pressure Index*.

<https://www.newyorkfed.org/research/gscpi.html>.

Meat & Livestock Australia, *Cattle Industry Projections 2024*.

[https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/cattle-projections/revise\\_feb-2024\\_australian-cattle-industry-projections\\_270224.pdf](https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/cattle-projections/revise_feb-2024_australian-cattle-industry-projections_270224.pdf)

Meat & Livestock Australia, *Sheep Industry Projections 2024*.

[https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/sheep-projections/february-2024\\_mla-australian-sheep-industry-projections\\_280224.pdf](https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/sheep-projections/february-2024_mla-australian-sheep-industry-projections_280224.pdf)

Reserve Bank of Australia, *Statement on Monetary Policy February 24*,

<https://www.rba.gov.au/publications/smp/2024/feb/pdf/statement-on-monetary-policy-2024-02.pdf>