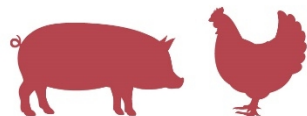


Pigs and chickens

Nathan Pitts and Tim Whitnall



Pig and chicken

Pig and chicken meat production growth to slow in 2018–19 and 2019–20 due to high prices for domestic feed grains.

Prices of pigs to increase, chickens to fall over the medium term

Over the medium term to 2023–24, over-the-hooks pig prices are expected to increase slightly from historical lows because of constrained Australian pig meat production. This recovery follows 4 years of falling prices to 2018–19 due to significantly higher domestic production and strong competition from other protein sources. Over the medium term, price increases will be limited by slow growth in domestic consumption and ample supplies of affordable imports.

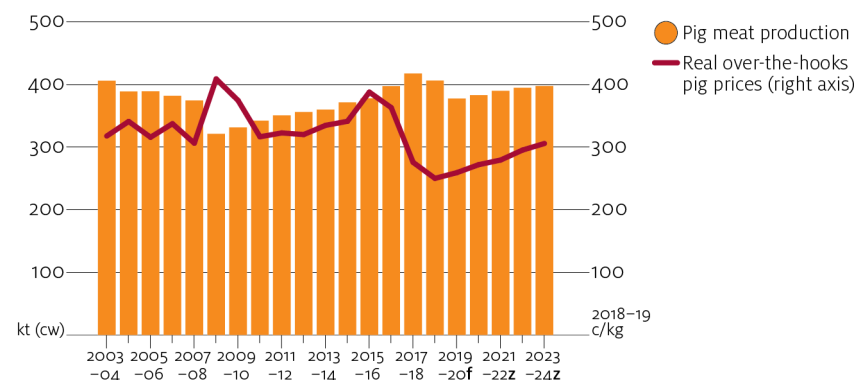
Over the 10 years to 2017–18, retail prices for chicken have fallen by 2% per year in real terms, on average. However, prices are forecast to rise in 2018–19 due to high prices for domestic feed grains. Over the medium term, retail prices are expected to resume a downward trend as productivity continues to improve and production increases.

Production to rise over the medium term

Australian sow numbers are estimated to fall in 2018–19 due to higher slaughter. This is in response to low pig meat prices and rising feed costs. As a result, Australian pig meat production is expected to decline

in 2019–20. However, lower production is not likely to have a positive influence on prices because of relatively steady domestic consumption and ongoing high global pig meat production. Later in the medium term, production is projected to increase once feed grain prices fall from drought-elevated levels.

Australian pig meat production and prices, 2003–04 to 2023–24



f ABARES forecast. z ABARES projection.

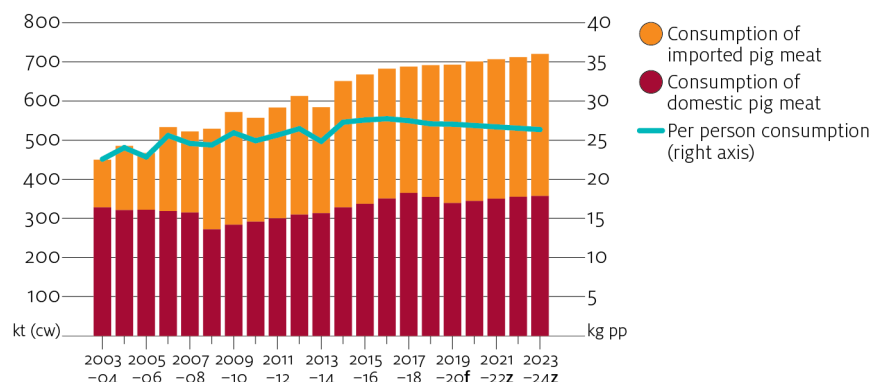
Sources: ABARES; Australian Bureau of Statistics

Over the 10 years to 2017–18 growth in chicken meat production averaged 2% per year. However, in 2018–19 chicken meat production is forecast to be relatively unchanged. Higher slaughter is expected to be offset by lower average slaughter weights. Higher domestic feed costs are expected to cause chickens to be harvested earlier because feed conversion becomes significantly less efficient as animals approach slaughter age. Over the medium term, chicken meat production is projected to return to trend growth. Productivity improvements and lower domestic feed prices are expected to drive this increase.

Domestic demand to drive increased consumption

Over the 10 years to 2017–18 total domestic pig meat consumption increased. However, since 2016–17 [per person consumption has been declining](#) due to strong price competition from other meats, especially chicken. Over the projection period to 2023–24, Australian pig meat consumption is expected to increase only slightly, in line with population growth, but per person consumption is forecast to continue to fall. The share of consumption from imports is expected to remain around 2017–18 levels due to biosecurity restrictions that prohibit imports of fresh pig meat.

Pig meat consumption, 2003–04 to 2023–24



f ABARES forecast. z ABARES projection.

Sources: ABARES; Australian Bureau of Statistics

Chicken meat is projected to remain the most consumed meat in Australia over the medium term. Demand for chicken meat is expected to remain strong because of relatively favourable retail prices compared with those for beef, pig meat and lamb.

Challenges and opportunities

Feed grain prices

Intensive livestock industries are among the [largest consumers of domestic feed grains](#). In 2017–18 Australian feed grain prices rose significantly due to low Australian production and biosecurity requirements that restrict imports of grain, processed plant-based stockfeed and supplements. The combination of high feed prices and low pig prices reduced the profitability of Australian pig producers. Because domestic demand for chicken meat is relatively unresponsive to changes in price, a greater share of higher feed prices are expected to be passed on to consumers of chicken meat through higher retail prices.

Feed grain prices in Australia are expected to remain relatively high until at least spring 2019, when harvesting commences for Australian winter crops. Ongoing high feed prices will continue to constrain profitability in the pig industry and will likely drive industry consolidation.

Australian intensive livestock producers are at a competitive disadvantage relative to international competitors due to minimal domestic soybean crushing capacity. Intensive livestock producers have a strong preference for soybean meal rather than other protein sources because of its nutritional characteristics. However, due to biosecurity requirements and high domestic oilseed crushing costs, Australian producers are almost entirely reliant on soybean meal that is crushed overseas. If access to low-cost soybean meal does not improve, Australian processed pig meat will remain at a competitive disadvantage to imports.

Consumer preferences for Australian pig meat

Australian biosecurity protocols require all imported pig meat to be processed. As a result, unprocessed Australian pig meat faces no competition in the domestic fresh pig meat market. However, high feed costs mean that Australia's processed pig meat costs more than imports. As a result, demand for Australian pig meat is highly dependent on consumer preferences for fresh meat. Future substitution by Australian consumers towards lower-cost imports of processed pig meat represents a significant risk to over-the-hooks pig meat prices.

African swine fever

In 2018 African swine fever was detected in several regions in China. Outbreaks have occurred across large areas, although the scale and spread is still largely unknown. If Chinese imports increase, they are likely to be sourced from major exporting regions, such as the European Union and North America. Australia does not have pig meat export protocols in place for China. The ongoing threat of African swine fever spreading across pig herds outside China presents risks to global production and prices.

African swine fever is assumed to present more risks to Australian imports than to Australian production. This is because [biosecurity requirements for pig meat imports](#) and natural geographic barriers reduce the risk of swine fever affecting the Australian pig herd. However, the spread of African swine fever outside China, would present significant risks to Australia's pig meat imports.



Outlook for pig meat

	unit	2016–17	2017–18 s	2018–19 f	2019–20 f	2020–21 z	2021–22 z	2022–23 z	2023–24 z
Over-the-hooks price									
nominal	c/kg (cw)	348	270	250	265	285	300	325	345
real a	c/kg (cw)	362	275	250	259	272	279	295	306
Sow numbers b	'000	278	273	252	256	260	263	264	267
Slaughterings	'000	5,160	5,378	5,267	4,888	4,951	5,034	5,092	5,121
Production	kt (cw)	397	417	406	377	383	390	395	397
Consumption per person	kg (cw)	27.7	27.5	27.2	26.8	26.7	26.5	26.3	26.2
Import volume	kt (sw)	167	162	170	178	180	179	180	183
Export volume	kt (sw)	30.7	35.3	34.5	25.7	25.7	26.4	26.4	27.1
Export value									
nominal	\$m	124	133	121	95.0	103	111	120	131
real a	\$m	129	136	121	92.9	98.3	103	109	116

a In 2018–19 Australian dollars. b At 30 June. f ABARES forecast. s ABARES estimate. z ABARES projection.

Sources: ABARES; Australian Bureau of Statistics; Australian Pork Limited



Outlook for chicken meat

	unit	2016–17	2017–18 s	2018–19 f	2019–20 f	2020–21 z	2021–22 z	2022–23 z	2023–24 z
Slaughterings	million	653	636	650	663	676	690	704	718
Production	kt (cw)	1,230	1,193	1,188	1,253	1,278	1,304	1,330	1,356
Consumption per person	kg (cw)	48.8	47.2	45.5	46.7	46.9	47.2	47.5	47.6
Export volume	kt (sw)	35.4	37.4	34.8	37.5	38.5	37.7	37.8	40.4
Export value									
nominal	\$m	54.1	65.5	62.0	67.0	69.0	68.0	69.0	74.0
real a	\$m	56.3	66.9	62.0	65.5	65.8	63.3	62.7	65.6

a In 2018–19 Australian dollars. **f** ABARES forecast. **s** ABARES estimate. **z** ABARES projection.

Sources: ABARES; Australian Bureau of Statistics