

Livestock disposals

Cattle and calves



Forecast

In 2007–08, the gross value of production of Queensland's cattle and calf industry (including cattle and calves sold for slaughter plus net live exports) is forecast at \$3.73 billion, which is 3% higher than 2006–07 and 1% higher than 2005–06.

Analysis

Cattle and calves sold for slaughter

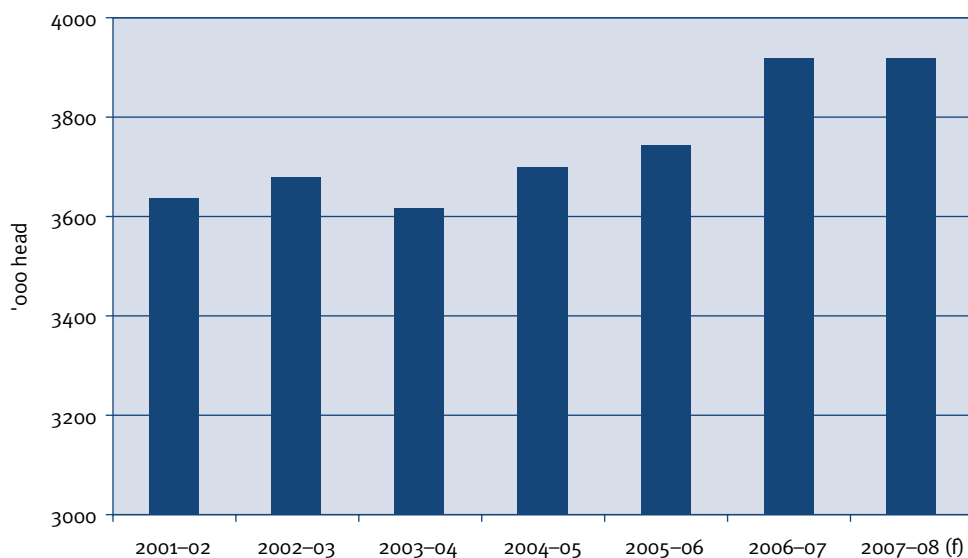
In 2007–08, the gross value of cattle and calves sold for slaughter is forecast at \$3.638 billion.

In 2006–07, cattle and calf slaughterings in Queensland were estimated at approximately 3.9 million head¹, which is a 5% increase on the previous year, while total Australian cattle and calf slaughterings were estimated at near-record levels, increasing 7.7% or 650 000 head to 9.1 million head².

In 2007–08, cattle and calf slaughterings in Queensland are forecast at 3.9 million head, which is the same as ABS's estimate for 2006–07. Prices are expected to fall slightly as the Australian dollar continues its climb and US beef makes its return to the Japanese and Korean markets.

As Figure 3 illustrates, cattle and calf slaughterings in Queensland have been increasing over the past few years and are expected to remain high in Queensland in 2007–08.

Figure 3. Cattle and calf slaughterings in Queensland 2001–02 to 2007–08



(f) Forecast.

Source: ABS and DPI&F

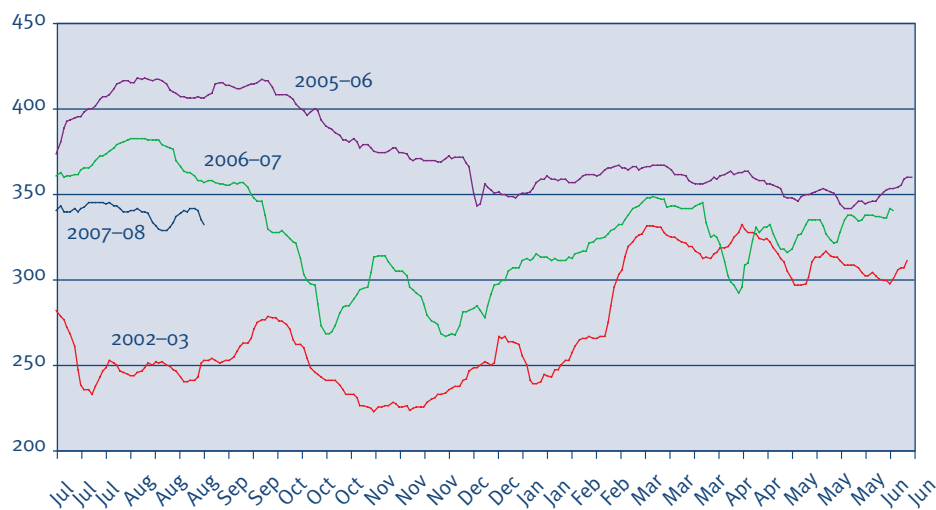
1 Source: ABS unpublished data.

2 Source: MLA Australian Cattle Industry Projections 2007 mid-year update.

According to Meat and Livestock Australia (MLA), the strong Australian dollar has led to a significant decline in both export returns and cattle prices. This has been coupled with lower export demand from Korea and Japan and a flat US import market.

As Figure 4 illustrates, prices in 2006–07 were lower than 2005–06, corresponding with an increase in cattle and calf slaughterings. In the first few months of the 2007–08 financial year, prices are lower again than the previous two years but considerably higher than the 2002–03 drought year.

Figure 4. Eastern Young Cattle Indicator (EYCI)



Source: MLA

As the volume of production index (Table 2) illustrates, Queensland's cattle and calf production and live exports are expected to be similar to 2006–07 and 2000–01, and higher than the remaining years since 1997–98.

Looking further ahead: prices expected to stay low in the short- to medium-term

While there is a positive global trade outlook, further falls are anticipated in Australian beef and cattle prices over the short- to medium-term as US competition in north Asia is restored and the Australian cattle herd and supplies build again.

The return of the US to Japan and Korea has been slower than anticipated, but a negative price impact has been felt nonetheless.

MLA predicts that cattle and beef supplies will fall significantly below their year-ago level to the end of December 2007, in anticipation of drought-breaking spring rains and lower year-on-year cattle prices. The fall in beef supplies combined with strong restocker demand would normally result in an increase in cattle prices. However, the pressure of the high Australian dollar and the anticipated return of US beef to Korea by the December quarter of 2007 are expected to keep prices at or below 2006 rates and to decline further in 2008.

If grain prices decrease, demand from Japan strengthens and US import prices lift, an improvement is anticipated in returns to lot feeders, processors and exporters, despite a fall in national slaughter numbers.

While all industries are vulnerable to price fluctuations, Australia's beef industry is in a susceptible position with the majority (93%) of Australia's beef production going to four markets—the domestic market, Japan, Korea and the US.

Cattle herd reduced due to drought, but industry poised to expand once the drought breaks as producers rebuild herds

MLA estimates the Australian cattle herd fell by 600 000 head (2%) to 27.9 million head in 2006–07 due to an increase in slaughterings because of the drought. The decline, however, was mainly in New South Wales.

Increased cattle turnoff, higher death rates and a decline in branding rates contributed to the decrease in cattle numbers. The northern herds have been maintained over the past year as seasonal conditions have been more favourable than in the drought-affected southern parts of Australia.

In contrast to this, the 2002–03 drought resulted in a 4.3% decline in the cattle herd (or 1.2 million head). According to MLA’s industry projections mid-year update, this is because in 2002–03, the drought affected both northern and southern Australia, whereas the current drought has mainly affected southern cattle producing regions.

MLA expects cattle turnoff in the first half of 2007–08 to be constrained by the fall in cattle numbers and the pressure to rebuild herds, particularly in southern states. Prices are expected to fall slightly and to decline further in 2008.

The incentive to expand the Australian cattle herd is strong, as prices are historically high and many properties are understocked following years of drought. The beef cattle industry is poised to expand, and when seasonal conditions improve, producers are expected to retain or secure additional breeding stock and rebuild their herds. In addition, higher breeding-herd productivity is expected due to the younger age structure of the herd.

This is likely to result in a fall in cattle slaughter numbers in Australia as a whole, as southern producers retain cattle for herd rebuilding. In contrast, MLA believes slaughter numbers in Queensland in 2007–08 will be similar to 2006–07.

MLA expects the Australian cattle herd to grow by 3.1% in 2007–08 to 28.8 million head.

In 2005–06, Queensland accounted for 44% of Australia’s meat cattle herd with an estimated 11.5 million head.

Feedlots

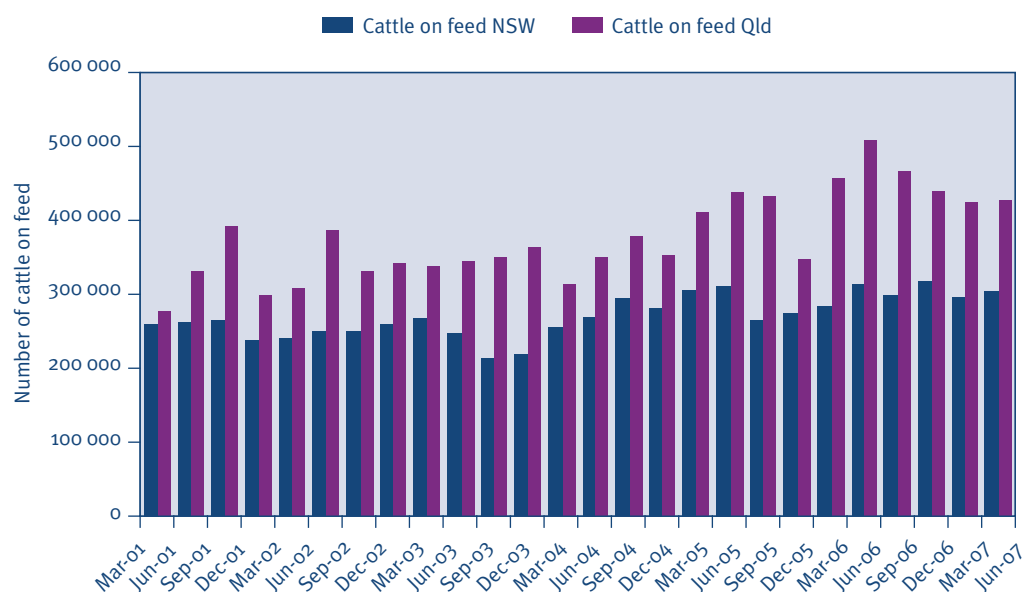
Australia’s feedlot industry is an important value adding component of the beef cattle industry. The industry enjoyed significant growth in the 1990s after the deregulation of the Japanese beef market. Indeed, continued growth in the sector has been attributed to expanded export production and increased domestic demand for consistent quality beef.

Most of Australia’s feedlots are located in South Queensland and New South Wales, where there is access to cattle, grain and other roughage. As at June 2007, Australia’s total feedlot capacity was more than 1.124 million head. Queensland accounts for almost half (45%) of Australia’s feedlot capacity with space for more than half a million head of cattle. Together, Queensland and New South Wales account for more than 80% of total feedlot capacity in Australia.

In the June quarter of 2007, the number of cattle on feed in Queensland was 427 933. This was down 16% (or 78 713 head) from the June 2006 quarter, when the number of cattle on feed in Queensland reached an all-time high of 506 646 head (Figure 5).

The strong Australian dollar, high feed costs and lower demand from Japan and Korea (as the US slowly re-enters north Asian markets) have put pressure on the feedlot sector. The feedlot industry predicts a 25% fall in the number of cattle on feed by the end of 2007, mainly because of high feedgrain prices.

Figure 5. Cattle in Queensland and New South Wales feedlots (March quarter 2001 to June quarter 2007)



Source: ALFA/MLA quarterly feedlot surveys

Commercialised vaccines



In the early 1990s, DPI&F researchers recognised the importance of developing a vaccine for Bovine Respiratory Disease (BRD), the most significant disease of feedlot cattle in Australia. Numerous vaccines were available for some of the infectious agents associated with BRD in the USA but could not be imported because of quarantine restrictions.

The capacity of the Australian beef feedlot sector exceeds 1.1 million head, and 50% of the industry is based in Queensland. It is also the most rapidly growing part of the beef industry.

The successful development of a prototype vaccine by DPI&F researchers resulted in field trial testing in the late 1990s. At this time, the major manufacturers of animal vaccines in Australia were approached by DPI&F to gauge their interest in licensing the vaccine for full commercialisation. None of these manufacturers were interested because the size of the Australian market was not considered attractive. Later, a start-up company called Q-Vax was awarded a licence to commercialise the vaccine using the trade name Rhinogard.

Rhinogard was the first vaccine to be registered for BRD in Australia; since 2001, Q-Vax have sold more than 4.5 million doses. The benefit to the feedlot sector has been estimated at \$20 per head, or an annual benefit of \$90 million to the national industry. DPI&F receives a royalty of 5% of gross sales—approximately \$130 000 in the 2006–07 financial year.

DPI&F have continued to develop new vaccines to reduce the economic impact of BRD in feedlot enterprises with support from MLA. These vaccines use recombinant DNA technology to more effectively prevent infection with more than one agent.

In 2007, pen trials began to assess the safety and efficacy of these new biotechnology vaccines. These trials were the first of their type to be approved by the Office of the Gene Technology Regulator, and were also approved by the Australia Pesticides and Veterinary Medicines Authority as part of a preliminary registration process. In late 2007, negotiations will begin to find a commercialisation partner to deliver this next generation of vaccines.

Improving the profitability of Queensland's beef industry



DPI&F scientists are using molecular biology and biotechnology to improve the productivity of Queensland's beef industry and to lower greenhouse gas emissions from livestock.

Using sophisticated molecular techniques, scientists are researching the micro-organisms in the stomachs of cattle to ensure the most efficient and effective bacteria are present when cattle are on a variety of feeds like feedlot rations or native pastures. Micro-organisms determine the amount of energy the animals get from their feed, so maximising their efficiency means stock grow faster and may be sent to sale earlier, increasing profitability.

The research is already providing world-first, in-depth descriptions of the changes in microbial populations in the stomachs of feed-lot cattle. This new information will underpin future research and innovations in feedlot nutrition and management.

While the immediate impact of this is still to be quantified, funding is being sought from Meat and Livestock Australia to continue work that, if successful, will result in bacteria that can be used in a probiotic drench for feedlot cattle. The benefits will be in terms of the animals eating more, gaining weight faster and therefore meeting market weight earlier, as well as reduced feeding costs and incidence of acidosis. A plan for the commercial development of this work has been drawn up as part of the initial project.

The second, but equally vital, aim of this work is to lower livestock methane emissions by suppressing the activity of methane-producing micro-organisms and replacing them with alternative populations of bacteria that don't produce methane. Methane expelled by sheep and cattle accounts for between 10% and 14% of Australia's total greenhouse gas emissions.

This means the beef, wool, lamb and dairy industries of regional Australia reduce their environmental impact and increase sustainability, and increase the cost effectiveness of production as between 4% and 15% more energy will be available for production from the same amount of feed.

DPI&F's work in this area benefits from a wide collaborative network including:

- Department of Natural Resources and Water
- Environmental Protection Agency
- University of New England
- University of Queensland
- Griffith University
- CSIRO Livestock Industries
- AgResearch, New Zealand
- Lincoln University, New Zealand
- United States Department of Agriculture
- Agriculture and Agri-food Canada
- Michigan State University
- University of Illinois.

Live-cattle exports

Live-cattle exports comprise a small percentage of the beef cattle trade in Queensland.

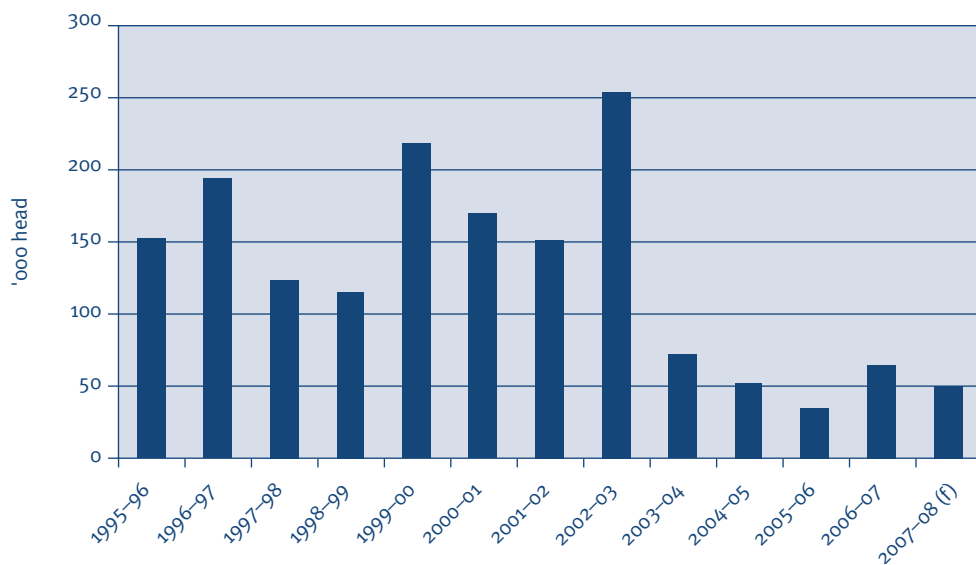
In 2007–08, the gross value of live-cattle exports is forecast at \$45 million.

Preliminary estimates for 2006–07 valued Queensland’s live-cattle exports at \$48 million. This is higher than DPI&F’s final forecast for the year, due to a large jump in exports from Queensland to Indonesia in June 2007.

In 2002–03, live-cattle exports from Queensland accounted for almost a quarter of Australia’s live-cattle exports, reaching a peak of 253 853 head (see Figure 6). Since then, the appreciation of the Australian dollar, competition from cheaper South American beef and Indian buffalo meat in key live-export markets, and increasing freight costs have impacted negatively on the live-cattle export trade.

In addition, the live-cattle export industry has not been able to compete with high prices on offer from the domestic slaughter trade and, as a result, cattle formerly destined for live export were diverted to fattening properties and feedlots for the meat-processing market.

Figure 6. Queensland live-cattle exports 1995–96 to 2007–08



(f) Forecast.

Source: ABS unpublished data and DPI&F.

Queensland's grazing property values

The following information was sourced, with permission, from Herron Todd White (HTW).

Property sales have slowed significantly across most of the central and southern regions during the first half of 2007. Purchasers are cautious because of continued rainfall uncertainty, a high Australian dollar, slightly weaker cattle prices and interest rates that are predicted to rise again before the end of the year. Despite this lack of confidence, underlying property values remain firm, with the market 'taking a breather' while climate and financial market conditions are less than ideal. In comparison, North Queensland property sales and valuations have remained strong.

South Queensland

Despite sporadic rainfall across the Darling Downs and South Queensland over the winter, a lack of widespread soaking rain has dried up sales of cropping properties. Even properties with irrigation licences are slower to move, with water storages still generally at low levels.

Central Queensland

High vendor expectations have forced many properties to be passed in recently, and sales are not expected to increase substantially in the near future. An exception is the Alpha region, which has experienced good sales recently as well-established grazing families expand their operations.

North Queensland

Sales of larger grazing properties in Far North Queensland have remained strong due to increasing interest from timber plantations companies. There are now three major players in the area operating managed investment schemes that have purchased properties for between \$4 million and \$14.5 million.

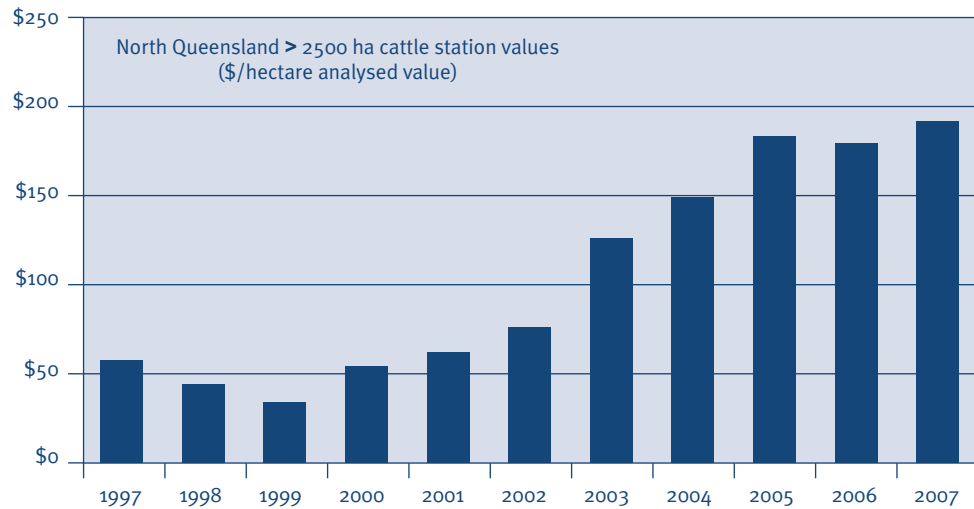
North Queensland grazing property value rates have returned an increase for the 2007 year to date. The average price is \$192/ha bare/improved. This has risen 7.2% from the 2006 average of \$179/ha. North Queensland cattle stations have experienced an annual compounding growth rate of 13% since 1997.

Acquisitions this year have not favoured any particular country type; both lighter forest and downs country has been turning over. Established grazing families have made some strategic acquisitions to expand and diversify their geographical distribution of holdings.

In 2007, many of the larger companies appear to be investing internally to improve productivity of existing properties rather than acquiring additional grazing land and incurring the larger expense associated with acquisitions. The positive land values have not followed the lead of the cattle market, which is an indication of the continued confidence in the North Queensland cattle station market. The broader cattle market for Queensland reveals a differing trend than North Queensland cattle stations over the past ten years.

Figure 7 shows a softening in the cattle market index of 9% at 175 points in the year to date, from a peak in 2004 of 195 points. This trend has been influenced by broader geographical concerns, such as the drought in the southern districts and New South Wales, combined with the higher costs of feedgrains placing a squeeze on feedlot margins.

Figure 7. North Queensland cattle station values (\$/hectare)



Source: HTW

The Queensland Cattle Market Index (QCMI) and North Queensland cattle station market share some concerns about the profitability of Queensland cattle enterprises, including:

- the rising Australian dollar, which reduces the price competitiveness of Australia's export product on the global exchange market
- the rising input prices in fuel, wages, and feed supplementation
- the increasing threat of interest rate rises.

It would appear that long-term confidence in returns to grazing property in North Queensland is stronger than the shorter-term measure of the QCMI. The rising global demand for beef will benefit the cattle market.



Pigs



Forecast

Queensland's gross value of pigs sold for slaughter in 2007–08 is forecast at \$210 million. This is the same as DPI&F's final forecast for 2006–07 and 5% lower than 2005–06.

Analysis

ABS and Australian Pork Limited (APL) slaughter data suggest that the gross value of production for 2006–07 was \$235 million, rather than \$210 million as indicated in the June 2007 edition of Prospects update.

Pig production is expected to decrease by about 10% from this level in 2007–08, due to the scarcity of water and the increased cost of feed. The average price of pig meat is forecast to remain steady.

Discussion

The pig industry is a medium-priority water user and has therefore been unprotected from cuts in water allocations due to the drought. Reduced water means reduced pig production capacity, as animal-health requirements limit the ability to save water. Around 65% of the cost of pig production is attributed to feedgrain. There has been a significant increase in the three major feedgrain prices (wheat, sorghum and barley) in 2006–07, and prices are expected to remain high until grain supplies are replenished.

The higher cost and scarcity of inputs limits the number and weight of pigs that can be produced. This will mean that continued conditions will require producers to down-scale production by de-stocking, whereby sows will be sold, fewer piglets raised and more pigs sold at lower weights.

The increased cost of production has not been accompanied by an increase in price for pig meat. This is due to the ready availability of cheap imports from Canada, Denmark and the United States. Import quantities have been increasing steadily since 2003.

The profit margin for pig production is at its lowest in 20 years. The declining margin is placing increasing financial pressure on pig producers, and given the current unfavourable conditions, it is highly possible that some producers will leave the industry this year. Queensland currently has around 260 producers; the majority are concentrated in the Darling Downs and others are spread throughout the Burnett region and Central Queensland.



Poultry



Forecast

The gross value of Queensland's poultry production in 2007–08 is forecast at \$255 million, which is 6% higher than 2006–07 and 11% higher than 2005–06.

Analysis

An estimated 93 million chickens were produced in Queensland in 2006–07 (based on initial ABS livestock slaughter data). This number is expected to increase to about 95 million in 2007–08 due to increased demand from a growing Queensland population.

The average gross unit value per chicken is also expected to increase due to rises in the cost of feedgrain. The cost of poultry production has gone up by about 10% in the last year, with the cost of feedgrain up by about \$80 per tonne.

Discussion

Compared to other livestock industries, the poultry industry has remained relatively unaffected by the current drought conditions. This is mainly due to higher feed conversion rates and higher efficiencies in water usage. The industry has also been assisted by an absence of international competition, due to restrictions on the importation of chicken meat into Australia. The increases in feed cost have mostly been absorbed into consumer price rises.

The institutional makeup of the industry also improves its ability to manage the increased costs of production and restrictions on inputs. Chicken meat is produced by contract growers who provide shelter and labour for the production of chickens. However, ownership of the chickens remains with the processors, who also pay for inputs, such as feed and water. Therefore, it is difficult to separate the production from the processing side of the poultry industry. The price used in the calculation of gross value of production is the price of a whole chicken ready for the market.

Avian influenza will continue to be a concern for the industry; however, there are currently no reports of avian influenza in animals or humans in Australia. Commercial poultry farmers in Australia have implemented comprehensive plans dealing with disease-prevention measures.

For a discussion of egg production, see page 25.



Sheep and lambs

Forecast

Sheep and lamb slaughterings gross value of production in 2007–08 is forecast at \$55 million, which is 22% higher than 2006–07 and 10% higher than 2005–06.

Analysis

The increase in gross value of production is explained by higher sheep and lamb prices during 2007–08.

Queensland sheep and lamb slaughterings are forecast to be similar to those in 2006–07, despite slightly higher slaughterings during the previous year caused by drought conditions and limited feed for livestock. It is also expected that high prices for lambs and wool will encourage some landholders to increase their flock size during 2007–08, assuming average seasonal conditions.

MLA and ABARE forecast an increase in average prices for sheep and lambs during 2007–08, partially due to limited supply, as landholders throughout eastern Australia restock after the drought of recent years. Reasonable winter rainfall received through most of South Australia, Victoria and New South Wales is expected to influence landholders to retain sheep for flock rebuilding. Higher sheep and lamb prices are also attributable to continued strong demand from both export and domestic markets. Over the medium term, global sheep and lamb supply is expected to be tight and demand to remain strong. However, early 2007–08 saleyard prices have been variable, with some reductions in mutton prices and variability in lamb prices. Despite forecast price increases, the strong Australian dollar and competition from other meats is expected to constrain sheep and lamb prices over the 2007–08 year to some extent.

The forecast higher prices are expected to benefit Queensland sheep producers who have not destocked as much as their southern counterparts during the drought. This will allow sheep and lambs to be sold for slaughter while increasing flock size at the same time.

During recent years, Australian domestic consumption of lamb has increased due to economic growth and successful marketing campaigns. However, ABARE suggests that further growth of lamb consumption per person is likely to be constrained during 2007–08 due to forecast higher prices. Some consumer substitution is expected from lamb to beef, pork and poultry.

Exports of lamb, mutton and live sheep are expected to decrease during 2007–08 due to limited supply. However, MLA predicts that overseas demand for Australian lamb will remain strong despite the higher prices and higher Australian dollar.

For a discussion on wool, see page 24.



Livestock products

Although *Prospects* generally discusses only the larger primary industry sectors, special mention should be made of the beekeeping industry. While the direct commodity production of the industry is relatively small (the GVP in 2001–02 was \$5.1 million, representing less than 1% of Queensland's gross value of primary industry production), it has particular importance to cropping industries. In particular, bees provide significant pollination services, either paid or as a by-product of the honey/pollen collection process. The value of pollination is reflected in the gross values of the cropping industries that bees service, but these services are difficult to value, primarily because of a lack of data about the extent of reliance on feral honeybees. Australia is the last country that is free of the bee parasite varroa mite. If it were to be introduced, the importance of pollination by managed hives would increase significantly as feral bee numbers drop.

An emerging concern internationally is the Colony Collapse Disorder (CCD) decimating hives in the United States. Although an article in the *Scientific American* linked CCD with imported package bees from Australia, Australian experts dismiss this link. CCD has not been observed in Australia or other countries that also buy Australian package bees.

Milk



Forecast

Queensland's gross value of milk production in 2007–08 is forecast at \$230 million, which is 15% higher than 2006–07 and 10% higher than 2005–06.

The increase in price per litre is offsetting the ongoing forecast decline in production. It is expected that with continuing high international demand and prices, and the overall decline of milk production across Australia due to the impact of drought, further price increases could be expected before the end of 2007. If this occurs, the gross value of Queensland milk may increase by another \$10 to \$15 million before the end of 2007–08.

Analysis

Queensland milk production is forecast to fall from 555 million litres in 2006–07 to 511 million litres in 2007–08, which is an 8% decline. Forecast production by region is detailed in Table 3.

Table 3. Queensland milk production estimates and forecasts by region 2005–06 to 2007–08

	2005–06 million litres (e)	2006–07 million litres (e)	2007–08 million litres (f)	change from 2006–07 to 2007–08 (%)
South East Queensland	486	440	404	-8
Far North Queensland	88	82	76	-7
Central Queensland	36	33	31	-7
Total Queensland	609	555	511	-8

(e) Estimate.

(f) Forecast.

Source: Dairy Australia.

While climatic conditions have started to improve in Far North Queensland, drought conditions have continued to worsen across the central and southern Queensland dairying zones.

In recent months, conditions in many regions have been the worst experienced. Grain, fodder and roughage are in extremely short supply and prices remain high, affecting all dairying regions across the state.

In recent months, many feed sources have been unavailable and a number of dairying operations have had to resort to using sugarcane or interstate hay for fibre and importing fodder, such as palm kernel extract.

The industry is changing farm management systems to cope with less water and climatic uncertainties. However, these systems are more expensive, still being developed and less reliable, with milk returns not compensating for the added costs.

The vast majority of the southern region is now under severe water stress. A number of dairying operations have ceased operations recently due to stock water failure and the inability to access fodder at workable prices. Irrigation allocations have been set at zero again for a number of schemes and others have been reduced severely. This will have an ongoing impact on fodder availability over coming months.

With the deterioration in conditions across the central and southern dairying regions over recent months, dairy farm and cattle numbers and milk production have continued to decline. The current average decline over recent months compared to the same month for the previous year has been close to 9%.

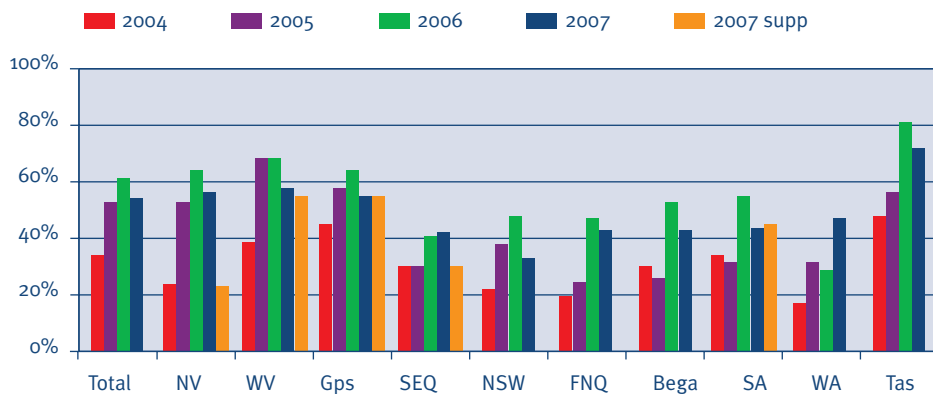
Producers across the central and southern regions are concerned about receiving a significant break from the drought over the next four months, as they need to recharge depleted water reserves and access more affordable fodder.

Even with significant rain, it would take at least two months for dairy farms to experience fodder supply relief. Dairy farms, cattle numbers and milk production are therefore expected to continue to decline over the coming months.

All major processors have recently announced further farm gate price increases; they began late last year when a drought levy was introduced to support a higher farm gate price. Over the last eight months, these increases have ranged from approximately 6 cents per litre to more than 9 cents per litre. The average farm gate price is currently estimated to be about 42 cents per litre to 44 cents per litre.

On the positive side, due to the upward trend in milk prices, there is some guarded optimism among those intending to stay in the industry, although this is lower than in 2006, as shown in Figure 8.

Figure 8. Farmers feeling positive about industry future (% of farms)

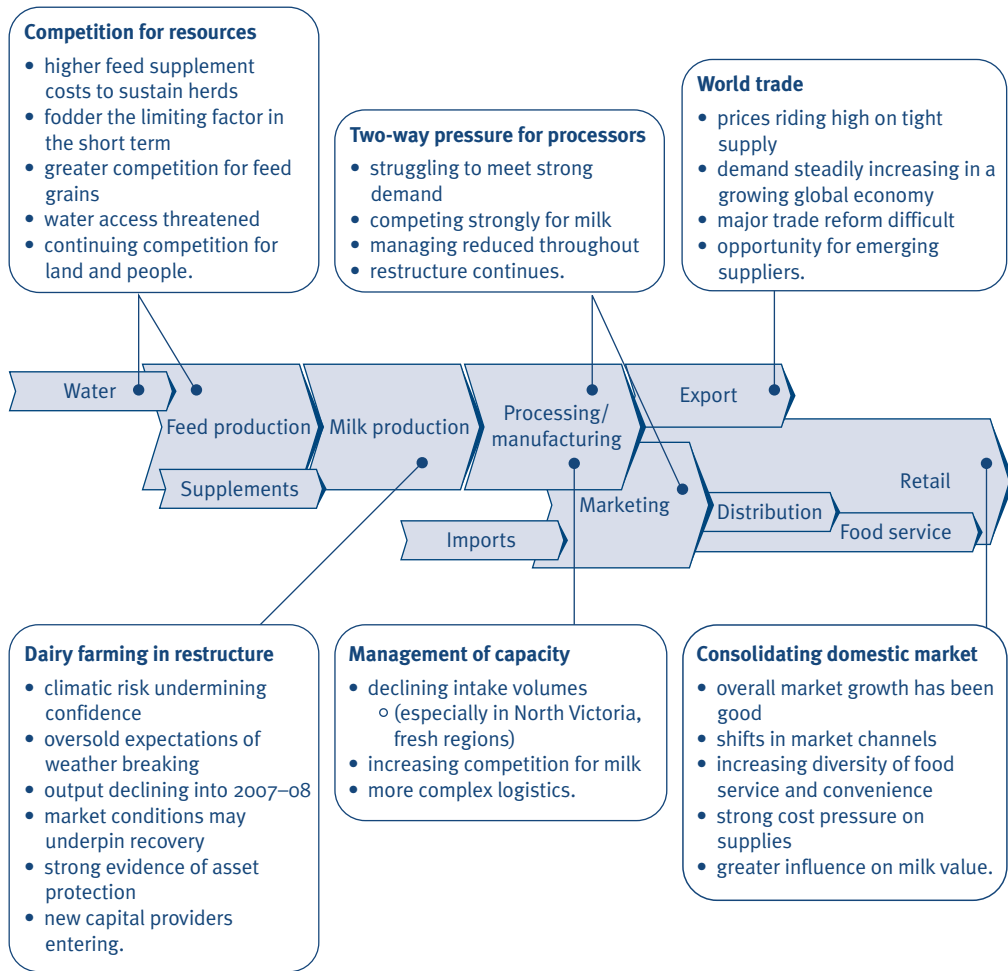


(supp) Supplementary.

Source: Dairy Australia.

Dairy Australia (2007) identifies the core changes being experienced by the Australian industry in relation to the Australian Dairy Industry Value Chain in Figure 9.

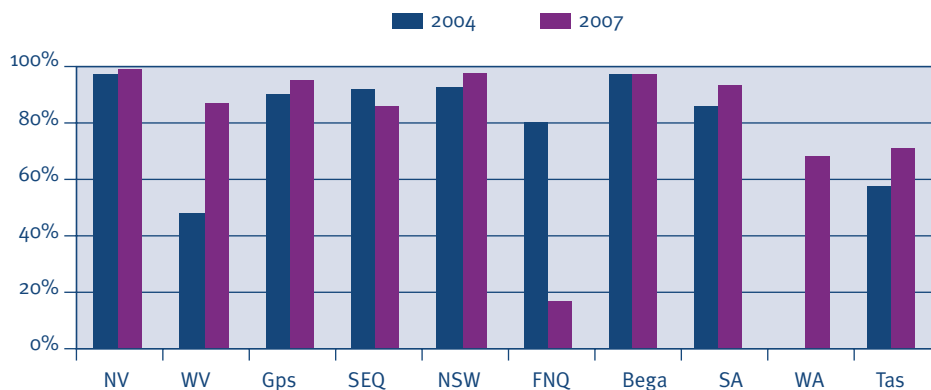
Figure 9. The Australian Dairy Industry Value Chain



Source: Dairy Australia

As at June 2007, almost 90% of dairy farmers were affected by drought Australia-wide, with as many as 1500 workers being affected by reduced hours or staff reductions.

Figure 10. Farmers reporting they were affected by drought (% of farms)



Source: Dairy Australia

It will be another difficult twelve months for the industry in South East Queensland and the state in general. Another poor spring/summer season will greatly compromise the ability of the industry to supply milk to consumers in South East Queensland, leading to further price increases for the consumer.

Dairy 2007: situation and outlook



Industry opportunities and challenges

Dairy Australia, in its *Dairy 2007: Situation and Outlook* report, summarises the factors affecting short-term levels of returns from the global dairy market:

Opportunities (demand side)

- Continuing economic growth throughout Asia, particularly China and Russia, supports an increased demand for dairy.
- Prevailing oil prices continue to boost demand for dairy in Africa (cheese) and Middle East (butter).
- Dairy consumption (particularly cheese) in new EU member states has increased.
- Prices of non-dairy substitutes are rising.

Opportunities (supply side)

- Constraints on growth in New Zealand are being compounded by high land prices and competition for resources.
- The US dairy industry is facing increasing feed costs and decreasing cow numbers.
- EU countries are currently limited by milk quotas.
- EU expenditure on export subsidies is at record lows.
- Emerging suppliers continue to face challenges that inhibit their export potential.

Challenges (demand side)

- Buyer resistance has increased, particularly in more price sensitive ingredient markets.
- Higher prices are prompting substitution of dairy products with other sources of protein.

Challenges (supply side)

- Increased EU quotas are increasing production.
- EU directs more milk to export products (such as milk powders and butter) to take advantage of high prices.
- Improved production in New Zealand on strong increases in milk prices will begin to address product shortages and rebuild inventories.

Wool



Forecast

Wool gross value of production (including the value of skins) is forecast to be \$120 million, which is 9% higher than both 2006–07 and 2005–06.

Analysis

The gross value of production is forecast to increase due to higher world prices.

The Australian Wool Innovation Production Forecasting Committee's June 2007 report forecasts Queensland shorn wool production at 21 million kilograms in 2007–08. This is slightly higher than their final estimate for the 2006–07 season.

Total Australian shorn wool production is forecast by this committee to be significantly reduced in 2007–08, due to lower sheep numbers resulting from destocking through the drought. However, as discussed in the Sheep and Lamb Disposals section, the Queensland sheep flock appears not to have reduced in size like the southern states. This explains the similarity of the wool production forecast for 2007–08 to the previous year. In addition, rain throughout pastoral Queensland may increase the average fleece weight contributing to the slightly larger production forecast.

Winter rainfall has assisted pasture growth in most sheep production areas of Queensland; however, rain was patchy and further rainfall will be required to lift the drought declaration off many areas. However, as a result of the winter rainfall, it is expected that some landholders may build their flock size through 2007–08. Any increase in sheep numbers on shorn wool production will not be realised until the following year.

Greasy wool prices rose rapidly during 2006–07 due mainly to concerns by end-users of the effect of the drought on Australia's longer term supply of quality wool. Global demand for wool remains strong, despite recent confusion with Chinese quota limits on Australian wool imports. The June 2007 ABARE *Australian Commodities* forecast average for the Eastern Market Indicator is 885 c/kg, rising 2.4% from the final 2006–07 average estimate of 864 c/kg, and rising 24% on the 2005–06 average.

The further increases in average wool prices in 2007–08 are fuelled by lower wool production in Australia due to destocking during the recent years of drought, and continued strong demand for wool internationally. However, it is expected that some substitution away from wool will occur to cotton and synthetic fibres as a result of the high wool prices and the high Australian dollar relative to the US dollar.



Eggs



Forecast

In 2007–08, the gross value of Queensland’s egg production is forecast at \$100 million, which is the same as 2006–07 and 2005–06.

Analysis

The forecast gross value of egg production in 2007–08 is the same as the previous years. Volume of production has been increasing at a low rate over the past few years and this trend is expected to continue.

Discussion

Unlike the poultry industry, all Queensland egg producers are independently owned and operated. The majority of producers are located on the Darling Downs and they vary in size to cater for the large number of markets that exist for eggs (from farmers’ markets to supermarkets). The prices for eggs vary across these markets but have been generally increasing, which will absorb some of the high feed costs. Due to quarantine protocols, Australia can only import processed egg products, so there is no international competition on the domestic market.

Many egg producers have diversified their business by growing their own grains and producing meat chickens. Due to drought conditions, this small-scale production of grain has not been profitable, and producers have generally been forced to buy their feed on the expensive grain market.

Cage egg production represents approximately 80% of commercial egg production in Queensland. In 2000, new cage standards were agreed upon by all jurisdictional ministers at the Agricultural Resource Management Council Australia New Zealand (ARMCANZ). These standards are due to be in force in each state by 2008; however, New South Wales, South Australia and Western Australia are yet to implement the legislation. Although Queensland producers have slowly been adapting to these standards, it is possible that the enforcement date will be extended to enable implementation in a uniform and consistent manner across all jurisdictions. When these standards are enforced, it is expected that some producers will leave the industry rather than invest in more expensive cages. However, large producers have expressed their intentions to increase production capacity.

