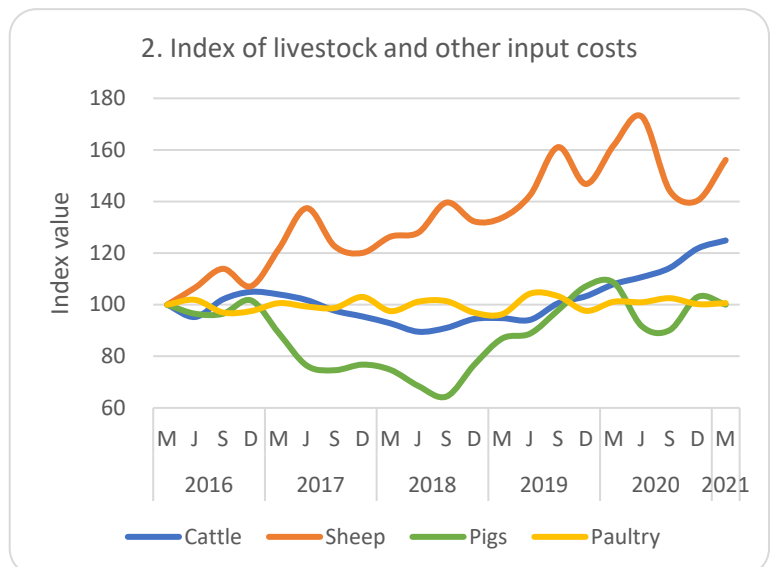
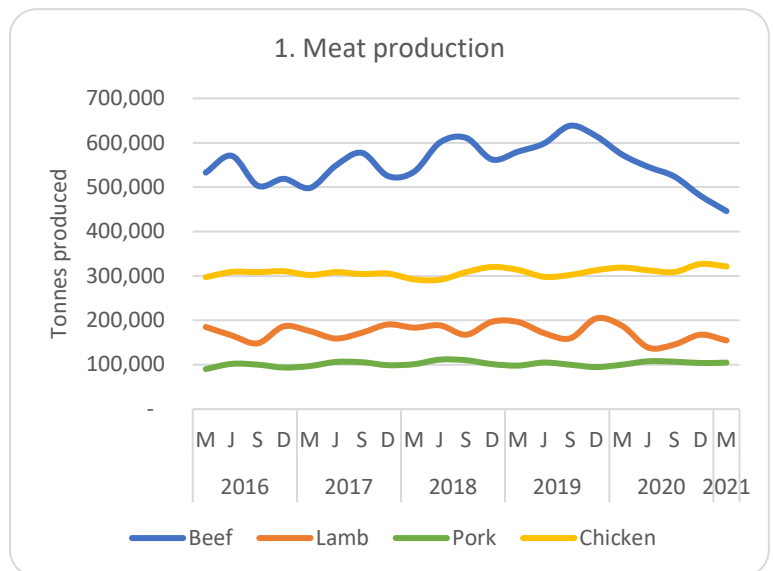


KEY TAKEAWAYS:

- The ABS quarterly livestock production statistics for March showed a continued decline in production across red meat while pork and chicken production were flat.
- Sheep and lamb prices at slaughter increased 11% for the quarter, which was the largest quarterly increase of the past 5 years. Cattle prices increased 3% for the quarter continuing a 2-year period of price increases. Pig and poultry input prices showed quarterly decreases.
- The beef and lamb production and cost data highlight the difficult supply-side conditions currently impacting the red meat processors and retailers, with the annual slaughter likely below breakeven for many processors.
- The ABS quarterly consumer price index data showed that retail prices also increased but at a slower rate than livestock input prices putting additional pressure on the red meat processing and retailing sector margins.
- Trend increases in red meat prices relative to pork and chicken continue to decrease beef and lamb consumption. Combined with relatively flat pork and chicken consumption over the past 5 years, total meat consumption has tended down in this period. The net effect of price and consumption changes over 5 years have resulted in increased pork consumption value (up 8%), while beef and chicken were flat, and lamb consumption value decreased by 19%.

Meat production and livestock input costs

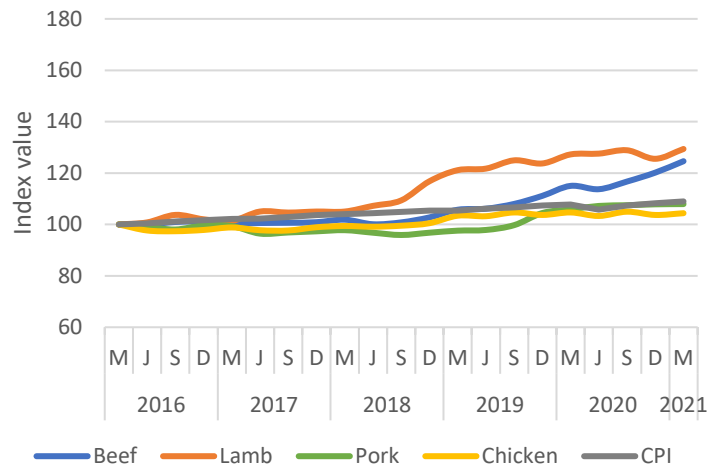
- In May the ABS released its quarterly series data for the March 2021 quarter.
- The [ABS quarterly livestock production statistics](#) for March showed a continued decline in production across red meat (**Figure 1**). Beef decreased 7% over the quarter and 22% over the past year, while lamb decreased 8% (quarter) and 17% (yearly). In contrast, pork and poultry production were relatively flat for the March quarter and up 5% (pork) and 1% (chicken) over the past year.
- The ABS data also showed the average industry cost of livestock inputs per kg meat produced (\$/kg produced). **Figure 2** shows the price data as an index (relative to March 2016). The data showed combined sheep and lamb prices broke the downward trend of the past three quarters with an 11% increase, which was the second highest quarterly increase over the 5-year period. Cattle prices increased 3% for the March quarter, generating an increase of 16% over the past year and continuing a 2-year period of price increases. In contrast to red meat, pork and chicken livestock prices showed moderate declines.
- The beef and lamb production and cost data highlight the difficult supply-side conditions currently impacting the red meat processors and retailers, particularly the reduced domestic livestock supply as a result of the drought.
- [AMPCs representative processor model](#) found that the slaughter level was one of the primary drivers of beef processor operating margins, and that national slaughter below 7.6 million head resulted in a negative processor margin. The ABS data showed the annual slaughter has been below this breakeven level since the Dec 2020 quarter, with the March data showing a decrease to 6.6 million head.



Retail prices and domestic consumption

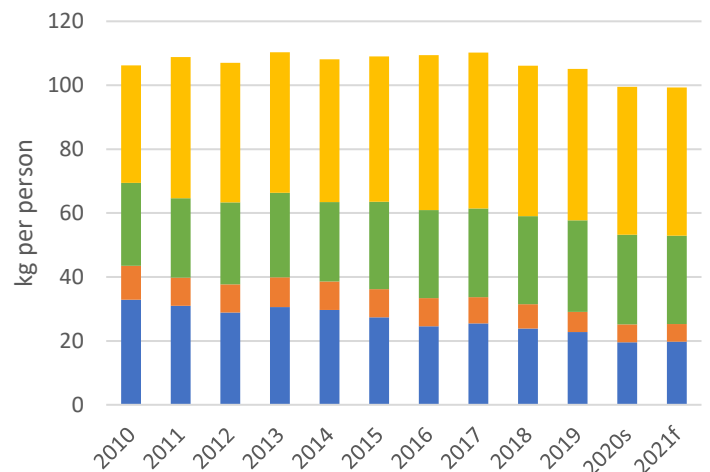
- The [ABS quarterly consumer price index](#) (CPI) data shows the relative change in retail meat prices across the four main meat categories (**Figure 3**, with prices shown relative to March 2016).
- For lamb, retail prices were up 3% in the March quarter after a reduction in the December quarter, resulting in a yearly increase of 2%. These increases were far below the 8% quarterly and 17% annual increase in livestock prices as discussed above. Similarly, beef prices increased 4% in the March quarter, and 8% annually, again well below the 7% quarterly and 22% annual increases in cattle prices.
- With retail prices increasing at a lower rate than livestock input costs, this put further pressure on the red meat processing and retailing sector margins. At the same time, red meat retail price increases have still increased much faster than competing meat prices and the broader CPI, which remained relatively flat over the past 12 years. As a result, beef and lamb have experienced relative price increases with implications for consumer product perception and consumption.
- This trend increase in red meat prices relative to other meats is a key driver in reduced consumption of beef and lamb as shown in the annual [ABARES Ag Commodity Statistics](#) for March (**Figure 4**). The data also showed that while red meat consumption decreases were historically offset by increased pork and chicken consumption, in the past 5 years this has not occurred, with beef consumption down 20%, lamb consumption down 37%, pork consumption flat, and chicken consumption down 4%. As a result, there has been a 5 year trend decrease in total meat consumption, with the last 2 years showing the lowest meat consumption in 25 years.
- Combining the data on changing meat prices and consumption generates an index of the value of domestic meat consumption (**Figure 5**, shown as an index relative to 2016). The most recent data showed a 9% increase in spending on beef in 2021, while spending pork was up 1%, spending on chicken was flat, and spending on lamb was down 1%. Longer term, the data showed that pork was the only meat to experience a trend increase in domestic consumption value (up 8% over 5 years), while beef and chicken were flat, and the strong increase in domestic lamb prices were more than offset by reduced consumption leading to decreased consumption value of 19% over 5 years.

3. Index of meat retail prices



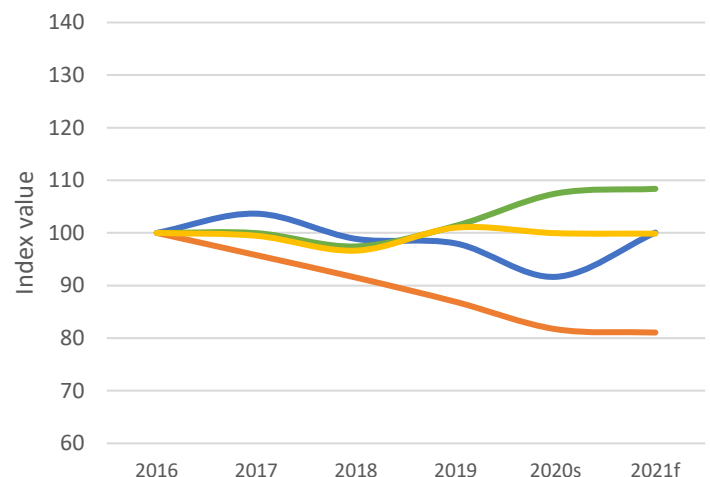
Source: ABS 6401 Livestock Products

4. Total domestic meat consumption



Source: ABARES Ag Commodity March 2021

5. Index of domestic meat consumption value



Source: ABARES Ag Commodity March 2021