

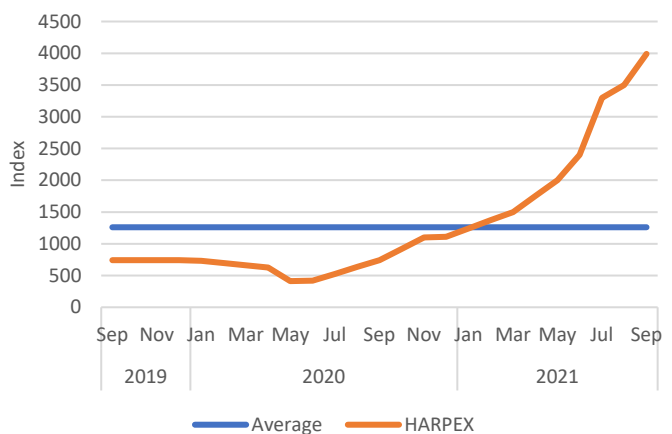
KEY TAKEAWAYS:

- Global supply chains continue to provide hurdles for Australian meat exporters, with sea freight bottlenecks and costs more than 200% above average. Reduced international flights continue to impact export supply and demand, particularly for lamb, through both reduced export channels, and also reduced demand in key tourism hubs such as the Middle East and South East Asia.
- China's rebuilding pig herd and soaring meat imports have led to a 65% reduction in live pig prices, undermining future growth in pork production and providing support to China's meat imports into 2022.
- Sep quarter beef export volumes were 17% below average due to reduced slaughter. Japan continued as Australia's dominant market with a 28% share in the Sep quarter, while the US continued its 2021 recovery into second place with 18%.
- Sheep meat export volumes were 19% above the normal range, driven by strong lamb exports. The US continued to grow as a key export market with 26% export share for the Sep quarter, behind China with 30% share.
- Goat meat exports continue to rebuild after 10 years of high rangeland goat harvest reduced available stock in 2020, and remain 30% below average for the Sep quarter.
- Pork export volumes were 11% above average. Singapore remains the primary export market with 36% share of mostly chilled pork. ASF was detected in the Dominican Republic (and subsequently Haiti) in July 2021, which is the first detection of ASF in the Americas since the 1980's, putting major pork exporters USA and Brazil on high alert.

General trade indicators

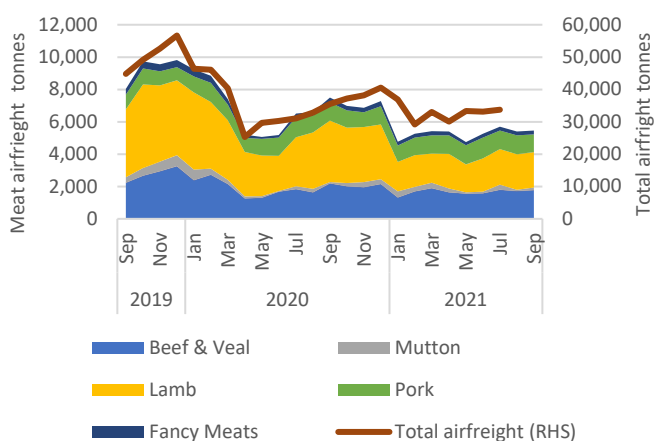
- **Sea freight costs and bottlenecks** resulting from rebounding global demand and supply constraints continued to provide a significant disruption for exporters globally. [The Harper Index](#) (Figure 1) of container freight costs increased 60% in the Sep quarter, putting it more than 200% above the long-term average.
- **Reduced international air travel** also continues to impact both the supply and demand of Australia's exports. While [DAWE statistics](#) showed Sep quarter total meat exports were down 19% on 2019 pre-COVID levels, air-freight meat exports were down 30%. Air-freight space was tight, with total Australian outbound air-freight 23% below pre-COVID levels with 18% fewer airfreight destinations (Figure 2) (Jul 2021 latest data). At the same time, **reduced international travel and tourism** continued to decrease demand in key markets including SE Asia and Middle East. [IATA](#) reported that air traffic was down 95% in June 2021 for Asia Pacific airlines compared to 2019 pre-pandemic levels, and 79% down for the Middle-East. Looking forward, international travel is not expected to fully recover [until as far out as 2024](#). Lamb exports were the worst affected by disrupted air travel, dropping 44% in the Sep quarter compared with pre-COVID levels, which was driven primarily by a 63% drop in the dominant Middle-East market. In contrast, pork exports managed to increase air-freight export volumes despite the reduced flights, with volumes increasing 25% from 2019 pre-COVID levels to make up 55% of total pork exports.
- **China's reduced pork production** from African Swine Fever (ASF) has been a key driver in surging demand and prices for meat since 2017. However, a rebuilding herd combined with soaring meat imports has led to a 65% reduction in live pig prices, which combined with government policies designed to limit price fluctuations, [are expected to](#) inadvertently undermine future growth in pork production (particularly for small producers), providing support to China's meat imports into 2022.

1. Harper index of container freight costs



Source: Harper Peterson & Co

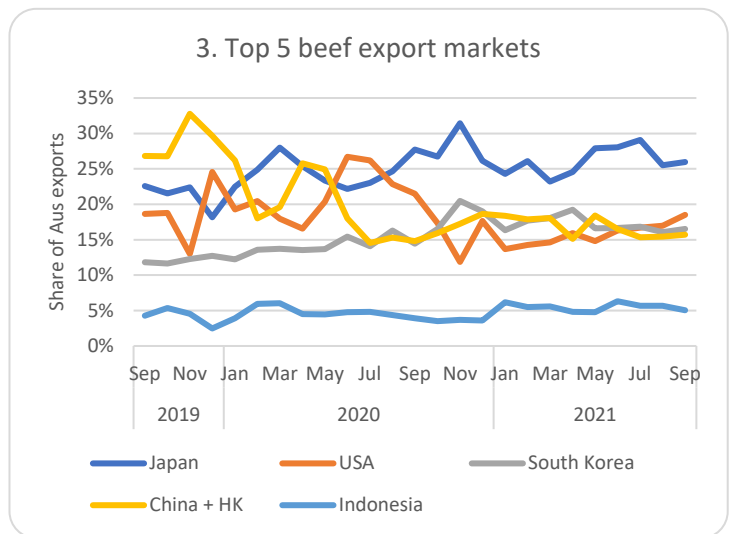
2. Air-freight exports



Source: DAWE Australian red meat export statistics, and BITRE Aviation

Beef exports

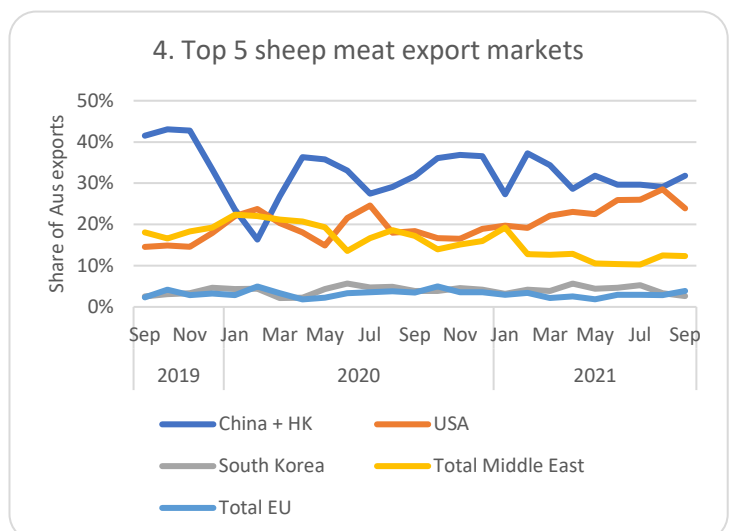
- The [DAWE export statistics](#) showed Sep quarter export volumes were consistent with 2020, remaining 17% below the 10-year average due to reduced slaughter.
- Japan continued as the dominant market with 28% of Australia's beef export share in the Sep quarter, while the US continued its 2021 recovery to regain second place with 18% (**Figure 3**). Exports to China remain suppressed with a 16% share due to China's suspension of imports from several Australian abattoirs.
- In frozen beef exports, Japan increased from a 23% to 25% share of Australia's exports in the Sep quarter, China and South Korea decreased from 20% to 18%, the US increased from 14% to 15%, and Indonesia increased from a 7% to 8% share.
- In chilled beef exports, Japan decreased from a 38% to 35% share of Australia's exports in the Sep quarter, USA increased from 21% to 24%, South Korea increased from 14% to 15%, and China dropped from 11% to 10% share. The EU (Australia's 5th largest chilled beef market) was flat with a 3% market share.



Source: DAWE Australian red meat export statistics

Sheep meat exports

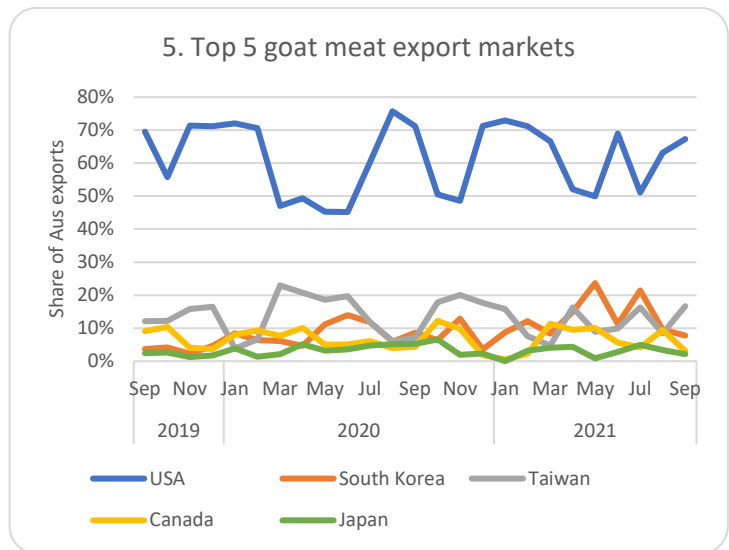
- The [DAWE statistics](#) showed the Sep quarter sheep meat export volumes were 19% above the normal range. Lamb exports decreased 6% in the Sep quarter consistent with normal trends, but remained 23% above average volumes. Mutton export volumes increased 8% in the Sep quarter as they move into their historic peak slaughter and export period, but remain 14% below average volume, reflecting [lower slaughter levels](#) and [an expected flock rebuild](#).
- Looking at the **top markets (Figure 4)**, China's share of Australia's sheep meat exports remained steady on 30% for the Sep quarter. While the US pulled back from its strong growth since late 2020, it still managed to increase its quarterly share from 24% to 26%.
- For **lamb exports**, China's share of Australian frozen lamb exports decreased from 42% to 39% for the quarter, with less than 1% of Australia's chilled lamb going into China through Hong Kong. In the Sep quarter, the US increased its share of Australia's frozen lamb from 17% to 19%, and increased its position as Australia's primary chilled lamb market taking 49% of Australia's exports.
- For **mutton exports**, China's share of Australian frozen mutton exports increased from 34% to 39% for the quarter. The US share of Australia's frozen mutton increased 17% to 21%, while Malaysia's share decreased from 19% to 10% in the Sep quarter. Qatar's normal drop in market share of Australia's chilled mutton occurred in the Sep quarter, down from 85% to 52%, with Singapore temporarily taking up the slack with a jump from 9% to 41%.



Source: DAWE Australian red meat export statistics

Goat meat exports

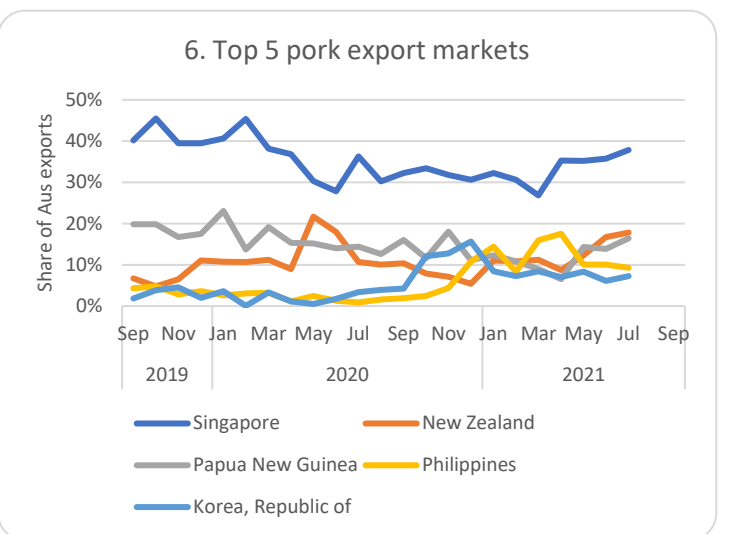
- The [DAWE export statistics](#) showed the historically volatile goat export volumes continued to rebuild after 10 years of high rangeland goat harvest reduced available stock. The Sep 2021 quarter was 41% higher than 2020, but remained 30% below the 10-year average. Improved weather conditions since 2020 and high goat meat prices will likely further increase goat numbers into 2022.
- The **US continued as the dominant market** with a 61% share of Australia's goat exports in the Sep quarter, Taiwan overtook South Korea to reclaim the second highest share with 14% and 13% respectively (**Figure 5**). Japan has seen steady growth in volume since 2019 to enter the top 5 Australian export markets; however, this has also been a result of the Caribbean dropping from being Australia's third largest goat meat market in late 2019, to sixth in the Sep 2021 quarter. With a heavy reliance on tourism, Caribbean economic activity was hit particularly hard by COVID-19 border lockdowns, but the region may re-emerge as a key Australian goat meat export market as international travel rebuilds.



Source: DAWE Australian red meat export statistics

Pork exports

- [TradeMap data](#) showed pork export volumes for the three months to Jul (the most recent month for this database) were 11% above the quarterly average reflecting high pork production levels.
- Looking at the **top markets** (**Figure 6**), Singapore's share of Australia's pork exports increased from 31% to 36% for the three months to Jul. This was driven by chilled pork which made up 92% of Aus pork exports to Singapore. Australia had a 98% share of total Singaporean chilled pork imports, but this made up just 14% of Singaporean pork imports for the period. Brazil, which had a dominant share of Singaporean frozen imports in the reporting period, [is on high alert](#) with ASF detected in the Dominican Republic in July 2021, which is the first detection of ASF in the Americas since the 1980's. The USA, the world's largest pork exporter, is [also increasing surveillance](#) to protect its pork industry.
- New Zealand and Papua New Guinea both had strong growth as markets of Australian pork, increasing their quarterly share to 16% to 15% respectively, of which 99% was frozen pork. After strong growth in late 2020 to early 2021 as a destination for Australia's frozen pork, the Philippines and South Korea both had a drop in their share of Australian pork exports below 10%. Hong Kong (a chilled export market) and Vietnam (frozen pork) have continued to decline as Australian pork export markets since peaking in 2020 due to ASF, and they moved outside of the top 5.



Source: Trademap