The Tasmanian Red Meat Industry

May 2009

The red meat industry is a major contributor to the Tasmanian economy, with around 3,000 farms producing beef or lamb. Red meat is produced throughout the agricultural zones of the state, with breeding generally tending to be concentrated in the drier areas and finishing along the north coast in the higher rainfall regions.

About 75% of Tasmanian livestock are processed in the State to produce branded value-added products for local and export markets. The remaining livestock are exported live primarily to mainland destinations for finishing or direct processing.

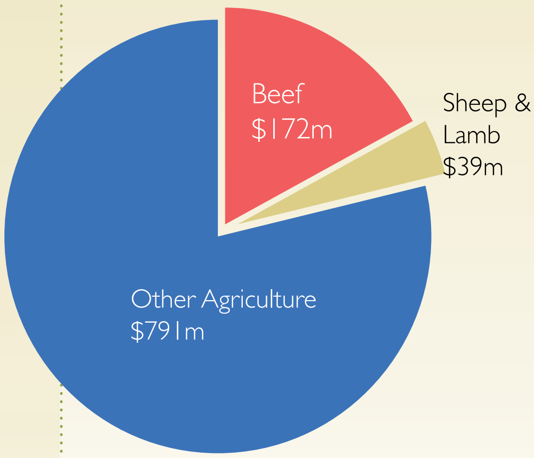
The farm gate value of the red meat industry in Tasmania was $212 million for 2006-07 which represented 22% of the State's total agricultural production. Beef dominates the industry, accounting for $172 million or about three-quarters of its farm gate value. The farm gate value of lamb and mutton sales was $39 million in 2006-07 or about one quarter of the industry's value.

Tasmanian beef, lamb and mutton are produced mainly from grazing improved and natural pastures. There is one major beef feedlot licensed to hold up to 16,000 head.

Tasmania's primary industries will be affected by climate change over the next few decades. The changes in climate will be variable across regions, and these impacts must be understood to minimise risk and maximise opportunities. National policy on climate change is still under development and it is not yet possible to identify its impact on agricultural enterprises.

Agricultural land use in Tasmania continues to change in response to fluctuating commodity prices and the investment climate. Higher returns from competing enterprises such as dairy, vegetables, poppies and the expansion of tree plantations will constrain red meat production. Benchmarking and on farm studies have demonstrated large opportunities for red meat producers to significantly increase production and profit by increasing the production and utilization of pastures.

Farm Gate Value of Tasmanian Red Meats 2006-07



Sales of beef and dairy cattle account for 22% of farm income, while sales of sheep represents 5% of farm income.

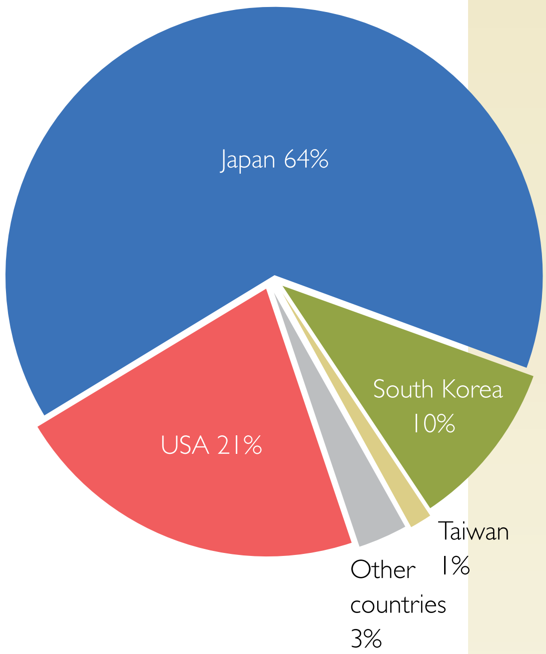
Source: *ABS, Agricultural Commodities, Cat. No. 7125.0*

Department of
Primary Industries and Water

Tasmania
Explore the possibilities

The Tasmanian
Red Meat Industry

Beef Exports Country of Destination



Japan accounts for almost two thirds of Tasmania's beef exports.

Source: *ABS Trade data,*

Key Markets and Exports

Approximately 260,000 cattle are processed annually. About 65% of processed Tasmanian beef is exported overseas with Japan being Tasmania's most important beef market followed by the United States.

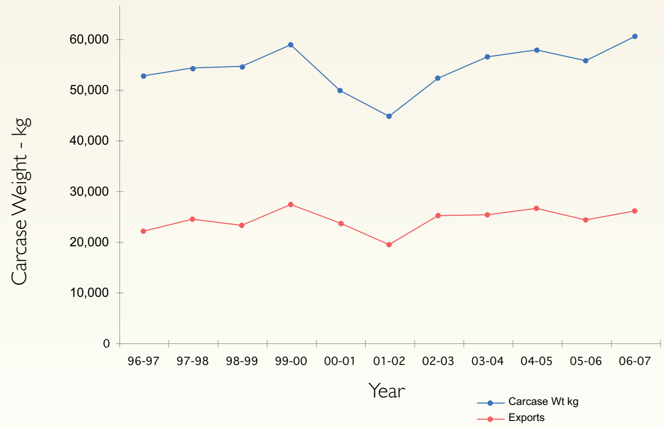
Japanese consumers have embraced the image of Tasmania as being a 'clean green' source of high quality meat products and one from where Bovine Spongiform Encephalitis (BSE) does not pose a threat to their health. A certificate of assurance signed by the Tasmanian Premier accompanies most beef exported to Japan. Tasmania is the only State where use of Hormone Growth Promotants (HGPs) is prohibited through legislation. This unique competitive advantage assists positioning Tasmania in domestic and export markets.

About 10% of Tasmanian beef cattle are exported to mainland destinations for finishing and processing. A large number of these are weaned calves and store yearlings sold in the autumn.

Approximately 850,000 sheep are processed annually. About 35% of Tasmanian sheep meats are exported overseas mainly to the United States and the Middle East. Mutton is also exported live to mainly Middle East destinations but this market has not been active for a few years. Interstate buyers regularly purchase over 230,000 adult sheep and 120,000 lambs in Tasmania for finishing and processing.

While the competition of interstate buyers is recognized by producers as necessary for maintaining relativity of livestock prices, it is recognized by industry and processors that more beef and sheep need to be processed within Tasmania to ensure viability of processing, especially in those months (winter and early spring) when throughput is low. Direct consignment of animals to processors is increasing at the expense of the traditional auction system. Trading by electronic auction is also becoming more popular as stock can be transported direct to the purchaser.

Beef Production and Overseas Exports



Exports of beef have consistently accounted for about 65% of the beef processed in Tasmania.

Source: *ABS Livestock Products, Cat. No. 7125.0, ABS Trade data,*

Trade and Investment Opportunities

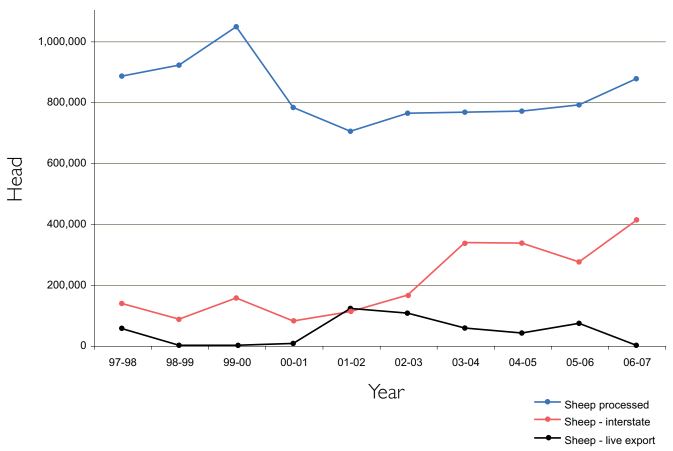
The current moratorium on the use of genetically modified organisms along with the perceived clean and green Tasmanian environment allows a point of difference for Tasmanian red meat in some higher value national and international markets.

Tasmanian red meat production is small relative to Australian and world volumes so there is an opportunity for much of this product to be marketed in high value niche markets. The medium-term outlook for red meat is generally positive but competition for land by expanding dairy and tree farming industries limits the opportunities for significantly increasing the size of this industry.

On-farm economies of scale have increased due to property aggregation by both individual and corporate farmers. There are however, opportunities for intensification of red meat production through adoption of technologies such as irrigation, nitrogen fertiliser and grazing management.

Input costs have risen sharply over the past 12 months, which have had a significant effect on the cost of production for the wool and red meat production sector. Typical cost increases include diesel fuel up 36%. Whilst the longer-term impact of these increased costs is difficult to predict at this stage, they have resulted in declining returns at the farmgate unless offset by higher product prices.

Sheep Sales



Over the past decade the number of sheep processed has reduced markedly. Sheep numbers sent inter-state have almost doubled.

Source: *ABS Livestock Products, Cat. No. 7125.0, ABS Trade data, TASMANIAN FREIGHT EQUILISATION SCHEME data*

Trends and Development

The majority of Tasmanian enterprises incorporate farming of animals for red meat production as part of their total farming operation. This results in a large number of relatively small producers and fewer larger ones, although large corporately operated beef farms are increasing. Angus is the dominant beef breed due to of the specifications demanded by the Tasmanian feedlot for their Japanese customers.

Merino ewes are increasingly being used as dams of first cross prime lambs probably as a result of a downturn in wool price. Demand for heavy weight (20kg+ carcase) prime lambs in the United States is increasing. This has resulted in a later turn-off time and thus increased numbers for slaughter during winter when processors traditionally have the lowest throughput.

There is an increasing trend to use grain as a supplement to finish sheep and cattle. The use of centre pivot irrigators has increased along with the opportunity to produce forage crops for finishing livestock during summer and autumn.

Challenges

The relatively low returns from beef and sheep production have meant that competition for higher land capability resources is high. In addition expansion of tree farming has resulted in significant areas being converted to tree production. If these trends continue, the long-term viability of the industry may be compromised due to loss of economies of scale, particularly in the processing sector.

Drought has reduced stock numbers, particularly in the breeding areas. There is also the challenge of maintaining sufficient ewes to sustain a wool and prime lamb industry. The decline in the wool market has reduced wether numbers resulting in fewer animals for local mutton production and live exports.

Prime lambs are increasingly being produced by producers using specialist prime lamb breeds (Coopworth, composites) including those with fleece shedding characteristics.

Methane production from ruminant animals is a major contributor to greenhouse gases, hence the industry will need to develop strategies for managing this environmental footprint.

The industry is generally challenged by the high average age of farmers and the lack of young people seeking careers in the on-farm production sector.

Adoption of improved management presents opportunities to significantly increase on farm production, primarily through increased pasture production and utilisation.

Research, Development & Extension

The Department of Primary Industries and Water (DPIW) in partnership with Meat and Livestock Australia (MLA) and the Tasmanian Institute of Agricultural Research (TIAR) makes a significant contribution to innovation in this sector through the Red Meat Targets program. This research, development and extension program addresses priorities as determined by local industry stakeholders.

Red Meat Targets addresses a number of key opportunities and priorities for the red meat industry. Key objectives are:

- Increase the production of beef from pasture based feeding systems with the aim of achieving at least 1,000kg live weight gain per hectare per year;
- Integrate meat production into irrigated cropping enterprises;
- Grow and utilise more pasture for red meat production;
- Plant cultivar development and evaluation to better match pasture plants with environmental constraints
- Capacity building initiatives including Prograze and More Beef from Pastures.
- Improved production and market efficiency through value chain analysis and development

Photography - *courtesy Extensive Agriculture Branch (DPIW)*

Contact Details

Department of Primary Industries and Water
Extensive Agriculture Branch
PO Box 46, Kings Meadows,
Tasmania 7249
Ph: 1300 368 550

Tasmanian Institute of Agricultural Research
Mt Pleasant Research Laboratories
165 Westbury Road, Prospect,
Tasmania 7250
Ph 03 6336 5238 Fax 03 6336 5395
E-mail Linda.Redman@dpiw.tas.gov.au

Meat and Livestock Australia
Level 1, 165 Walker Street, North Sydney NSW 2060
Postal address: Locked Bag 991,
North Sydney 2059
Ph: 02 9463 9333 Fax: 02 9463 9393
Free call: 1800 023 100 (Australia only)
Email: info@mla.com.au

Tasmania's Farmers and Graziers Association
PO Box 193
Launceston, Tasmania, 7250
Ph: 03 6332 1800 Fax: 03 6331 4344
Web: www.tfga.com.au

Regional and Business Development Branch
Dept of Primary Industries and Water Tasmania (DPIW)
PO Box 46
Kings Meadows, Tasmania 7249
Ph: 1300 368 550
Email: PI.Enquiries@dpiw.tas.gov.au

www.dpiw.tas.gov.au

www.farmpoint.tas.gov.au

Business Point
Department of Economic Development and Tourism
GPO Box 646,
Hobart, Tasmania 7000
Ph: 1800 440 026
Email: businesspoint@development.tas.gov.au

www.development.tas.gov.au