



**Rabobank**

*Media Release  
March 17, 2011*

## ***Higher Brazilian beef prices good news for Australian industry – new report***

The days of cheap Brazilian beef being widely available in the world market appear to be over and that's good news for Australia's cattle industry, according to a new report by agri finance specialist Rabobank.

With the global beef giant of Brazil one of the Australian cattle industry's most feared competitors, recent record prices for Brazilian cattle (exceeding even those of Australia) provide new opportunities for Australian sales in export markets, **Rabobank's Global Focus report, Australian Beef: Living with Brazil** says.

Report author Rabobank senior analyst Wendy Voss says Brazilian cattle prices have seen an upwards shift, and while the cattle price cycle will continue to ebb and flow, they will remain at well-above historical levels.

"Brazil is no longer the low-cost supplier of beef to the global market that it once was," Ms Voss says.

"The growth of the beef industry in Brazil has been nothing short of incredible. However, in recent years the competitiveness of Brazilian beef has fallen, as production has struggled to keep pace with local and global consumption growth. This has seen export prices surge, opening the way for increased Australian beef sales into some traditional Brazilian markets like Russia, the Middle East and South-East Asia."

Ms Voss says within Brazil, beef production has slowed due to the combined challenges of rising input costs, surging land prices, and competition from other commodities.

The Rabobank report shows Brazilian cattle prices are expected to remain at record levels in 2011 before easing from 2012. However, continued strong domestic and export demand, together with restrictions on global beef supply, means that the fall, and the impact on Australia, will be limited.

"As demand for meat in developing markets continues to rise, developed markets recover, and production remains restricted in major producing countries, the world will need both Australia and Brazil to supply global beef markets," Ms Voss says.

### **Minnow to global giant**

Starting at levels similar to Australia in the late 1970s, beef production in Brazil has now surged to the second highest in the world and over four times that of Australia.

The Rabobank report shows reasons behind Brazil's growth include the government support in research and development, improved genetics, pasture utilisation, increased opportunities in export markets and geographical expansion.



**Rabobank**

**Media Release  
March 17, 2011**

“The Brazilian beef industry has since seen some slowdown as producers have come under pressure from rising input costs and land prices – as well as the reduced investment into the cattle herd due to lower returns in the middle of the last decade and competition from other commodities such as sugarcane and soybeans proving more attractive options for investment,” the report says.

Ms Voss says the reduced investment in the Brazilian herd had impacted production, which together with strong local and international demand for beef resulted in cattle prices hitting record levels in recent years.

“Australian cattle prices stagnated or fell during much of the same period, hit by drought and a high dollar, and subdued demand in some key Australian markets. We saw Brazilian prices overtake Australian finished cattle prices in US dollar terms – something considered as almost impossible as recently as five years ago,” she says.

### **Price outlook**

With tight global supply of beef and improving demand in a number of markets, cattle prices in Brazil are set to remain at record levels in 2011 and ease only modestly in 2012, the report says.

“Prices for Brazilian cattle in 2011 are expected to average around 90 reals/15kg, similar to the record levels seen in 2010, with prices for the first half of the year particularly strong,” Ms Voss says.

“While production will increase, so too will demand – domestic consumption will rise by one per cent, absorbing a significant share of production growth.

“We also expect export markets to be hungry for product – global supply in beef will fall in 2011, with falling production in other key producing countries, such as the US, China and Argentina, more than offsetting any increase in Brazilian production.”

### **Limited access to key Australian markets**

Australian beef exports tend to focus on high-value markets in North America, Japan and South Korea, whereas Brazilian beef sales have been in developing countries such as Russia, Hong Kong and Iran, due to import restrictions imposed in developed countries.

One of the major concerns for the Australian beef industry has been that Brazil could achieve a breakthrough in access to its key markets – either by gaining country-wide FMD-free status or through an easing of import restrictions in these destination markets, Ms Voss says.

Of Australia’s major beef markets, Brazil has seen the greatest success in the US, with the US government announcing in November 2010 that they would recognise the state



**Rabobank**

**Media Release  
March 17, 2011**

of the Brazilian Santa Catarina as FMD-free (Foot and Mouth Disease) without vaccination status, the report highlights.

“This means that once inspections of plants take place and the US government is satisfied that product from other states of Brazil cannot enter the production chain, they will enable imports of chilled and frozen meat products from the state of Catarina – the only state in Brazil with this status,” Ms Voss says.

“However, given the cattle herd in Catarina is quite small, approximately 2.75 million head out of a total herd of 275 million head overall, it is not likely that much beef will be exported from Santa Catarina to the US.”

<ends>

**Rabobank Australia & New Zealand is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 110 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 48 countries, servicing the needs of more than nine million clients worldwide through a network of approximately 1600 offices and branches. Rabobank Australia & New Zealand is one of Australasia's leading rural lenders and a significant provider of business and corporate banking and financial services to the region's food and agribusiness sector. The bank has 88 branches throughout Australia and New Zealand.**

**Media contacts:**

Denise Shaw  
Public Relations Manager  
Rabobank Australia & New Zealand  
Phone: 02 8115 2744 or 0439 603 525  
Email: [denise.shaw@rabobank.com](mailto:denise.shaw@rabobank.com)

Jess Martin  
Public Relations  
Rabobank Australia & New Zealand  
Phone: 02 8115 4861  
Email: [jess.martin@rabobank.com](mailto:jess.martin@rabobank.com)