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Long-term outlook for Australian cattle trade to Indonesia remains positive – industry report

While the next 12 to 18 months will be difficult for Australia's northern cattle industry, the long-term rationale for the live cattle trade to Indonesia remains strong, with Australia well-placed to supply the market into the future, according to a recently-released industry report.

In the report ***Australia-Indonesia live cattle trade***, agricultural banking specialist Rabobank says despite current uncertainty in the market – following last year's suspension of live exports and a new operating environment since the resumption of trade – the upside of demand from Indonesia remains bright and likely to provide strong future opportunities for live cattle exports from Australia.

Tomorrow marks one year since the announcement of the month-long suspension.

Report author, Rabobank general manager Food & Agribusiness Research and Advisory Luke Chandler says the northern cattle industry has been dealing with a period of immense change and uncertainty since the suspension.

"The industry is now operating in a changed environment under new Australian government animal welfare regulations for live exports, while Indonesia's import quotas for Australian cattle have also been significantly reduced in 2012 as the Indonesian government continues to push for the goal of beef self-sufficiency," he says.

"While time will tell if the restricted quotas currently being imposed by the Indonesian government are a short-term issue or something the northern Australian cattle industry will need to readjust to in the longer term, it appears likely Indonesia's live cattle imports will recover over time."

Mr Chandler says Indonesia's strongly-growing economy and increasing consumption of beef suggests self-sufficiency goals may be difficult to achieve and there is likely to be an ongoing need for live imports to complement the country's domestic production.

"This may provide an opportunity for live cattle quotas to recover over time and the northern Australian cattle industry is well positioned to capture additional demand and supply low-cost disease-free beef to the Indonesian market. There appears a mutual benefit in the trade in both countries," he says.

Mr Chandler says at this stage, competition to supply the Indonesian market appears limited, although a change in Indonesian government policy to allow imports from FMD-affected countries – particularly India – would be a potential 'game-changer' for Australia's competitiveness.



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“The risk of a change to this policy remains low at present however, particularly given the Indonesian government’s self-sufficiency ambitions which mean they would not want to put their domestic herd at risk of disease. However, the potential implications of a change in this policy are significant for Australia,” he says.

The report acknowledges the restricted live cattle export quotas currently imposed by the Indonesian government for 2012 have forced northern Australian cattle producers to look for alternative, and generally less profitable, domestic and export markets for their cattle.

“There is no clear alternative market for the excess cattle at this stage,” he says. “With all live export markets undergoing the same regulatory change from the Australian government, it is unclear what the market potential in other live export markets will be going forward.”

Mr Chandler says the development of a northern Australian processing facility is one option that is being explored to diversify demand and complement the live trade by providing an alternative local domestic market for the northern pastoral zone.

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 approximately 10 million clients worldwide through a network of more than 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 93 branches throughout Australia and New Zealand.

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