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Red Meat Opportunities

An Australian Context

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Outline

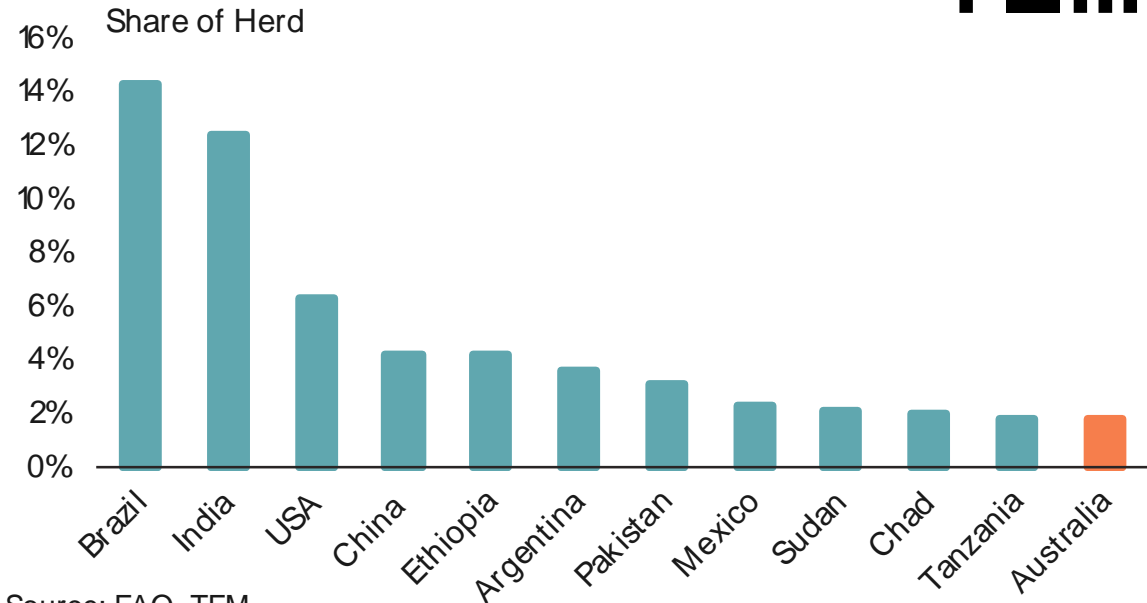
- Red meat opportunities – an Australian context
- Implications for the grain sector
- Investment considerations

Beef Supply

- Global herd 1.5 billion head, annual average growth rate 0.8%
- Australia is 2% of global herd, 4% of global production
- Second largest exporter of beef in 2019

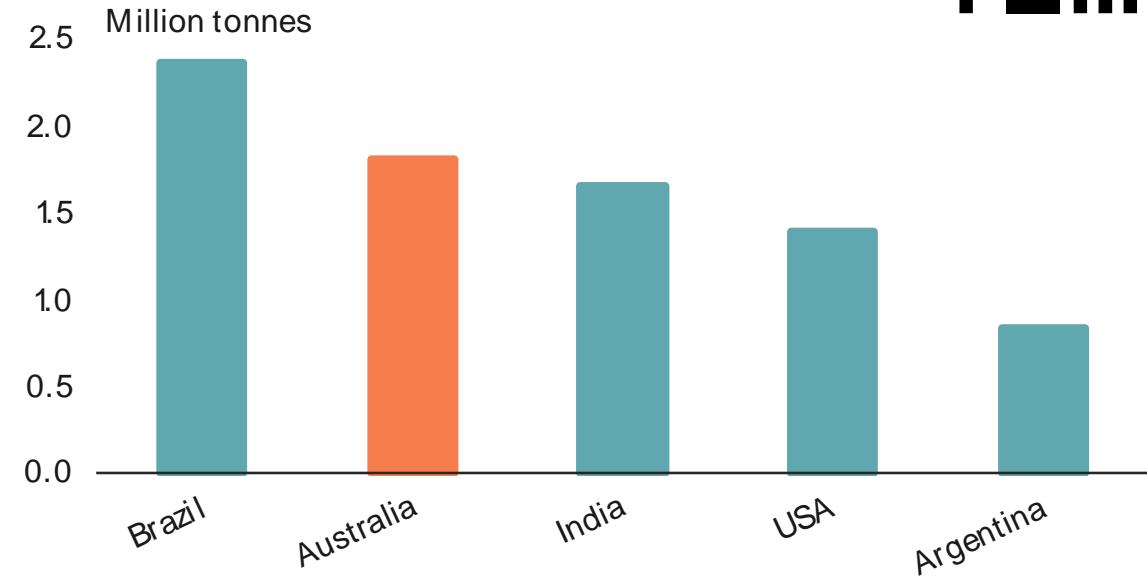


Global Herd



Source: FAO, TEM

Top Global Beef Exporters

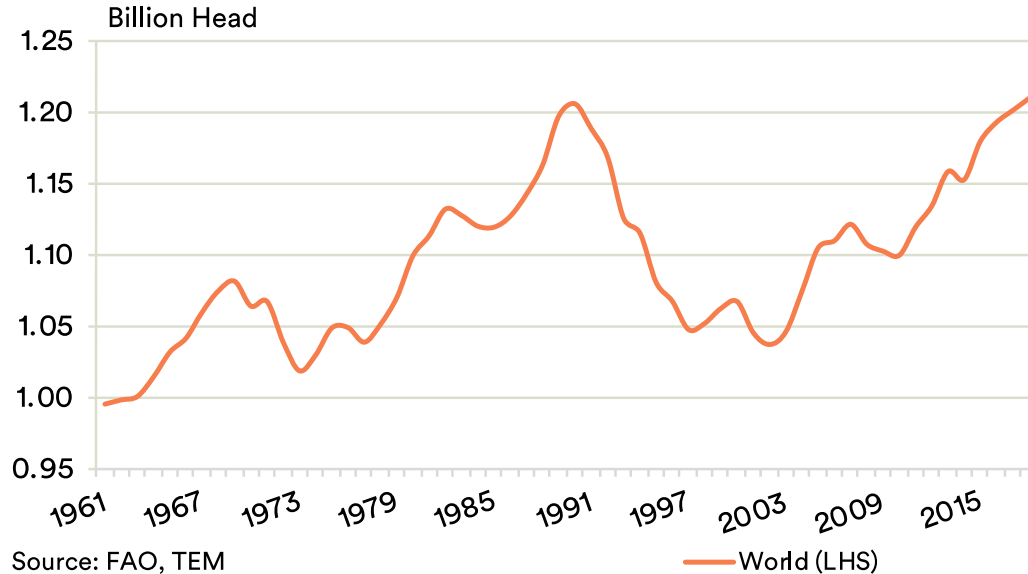


Source: MLA, DAWE, IHS, TEM

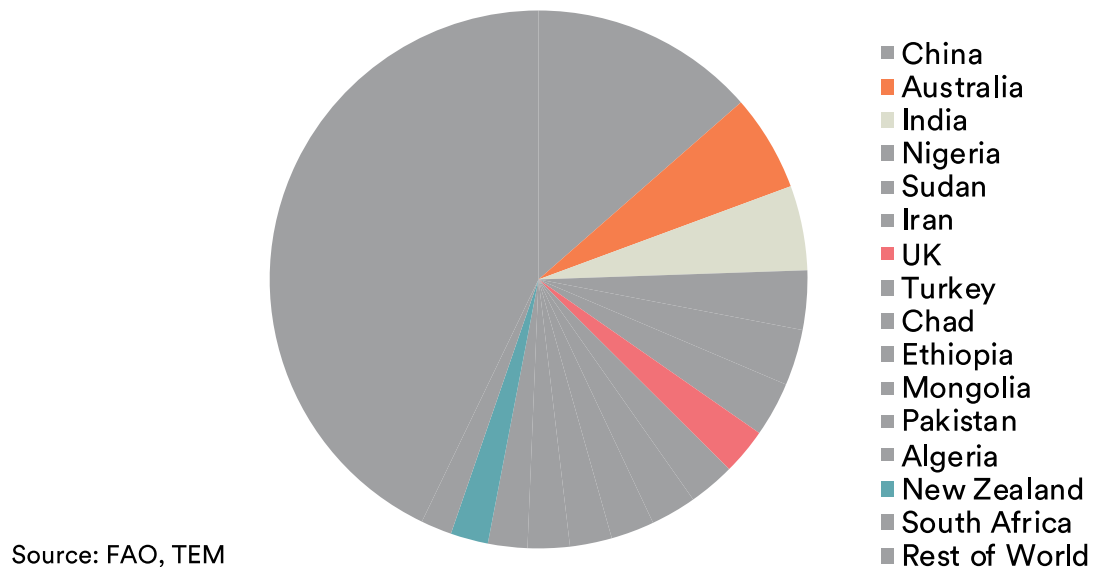
Sheep Supply

- Global sheep flock is at record levels
- Key exporters have a low flock
- More than 70% of global sheepmeat exports come from Australia or New Zealand

Global Sheep Flock



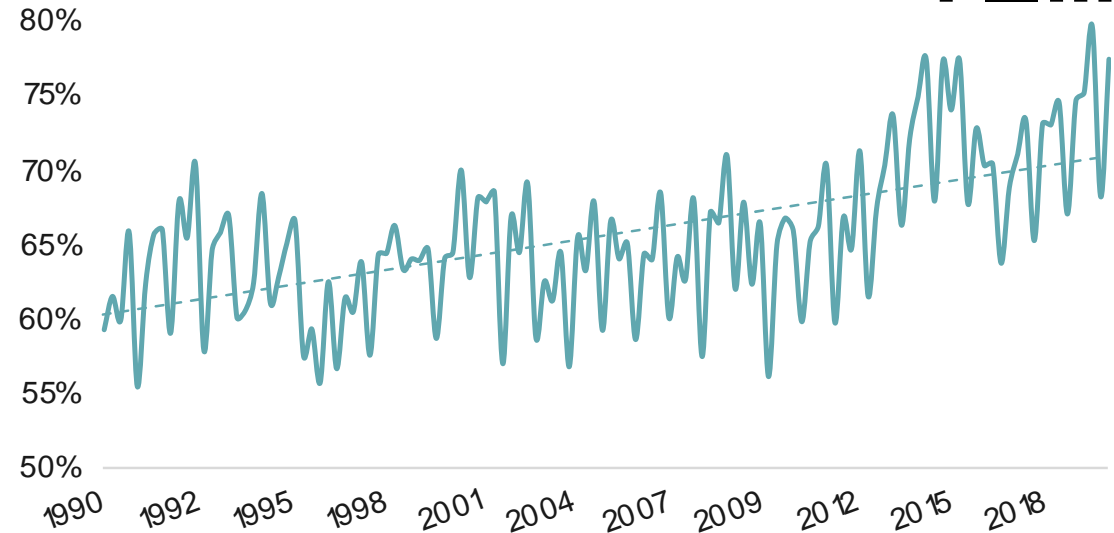
Global Sheep Flock



Red Meat Export Markets

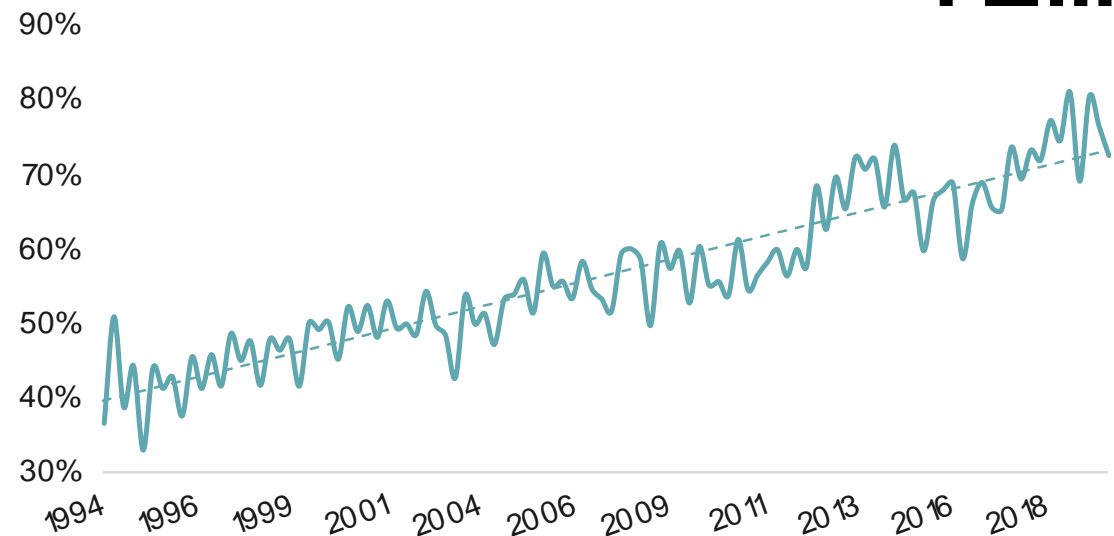
- Beef exports as a share of production has increased from 60% to 70%
- Sheep meat exports as a proportion of production has grown from 40% to 75%

Beef Exports as a Share of Production



Source: ABS, DAWE, TEM

Lamb and Mutton Exports as a Share of Production



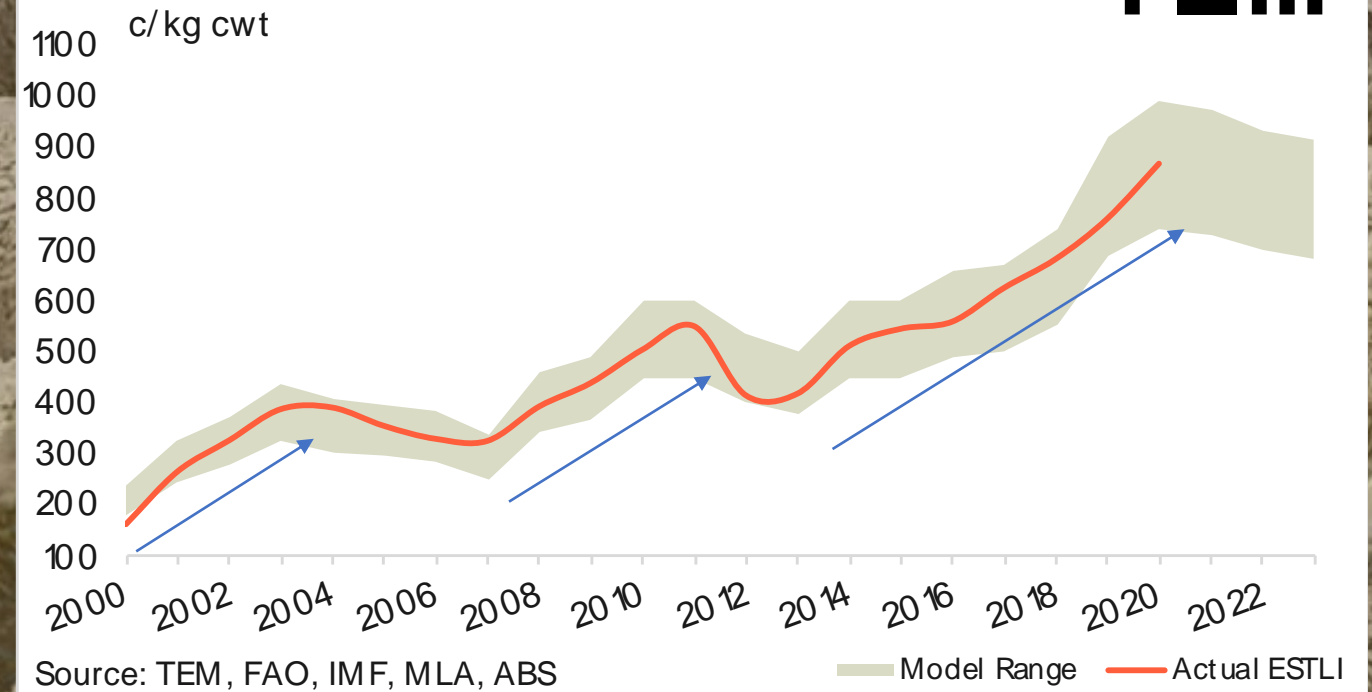
Source: ABS, DAWE, TEM



The Fair Value Model - ESTLI

- Annual Fair Value Model for the Eastern States Trade Lamb Indicator (ESTLI)
- Low global growth will see market price consolidate
- Middle of decade poised for continued export sector growth and higher prices

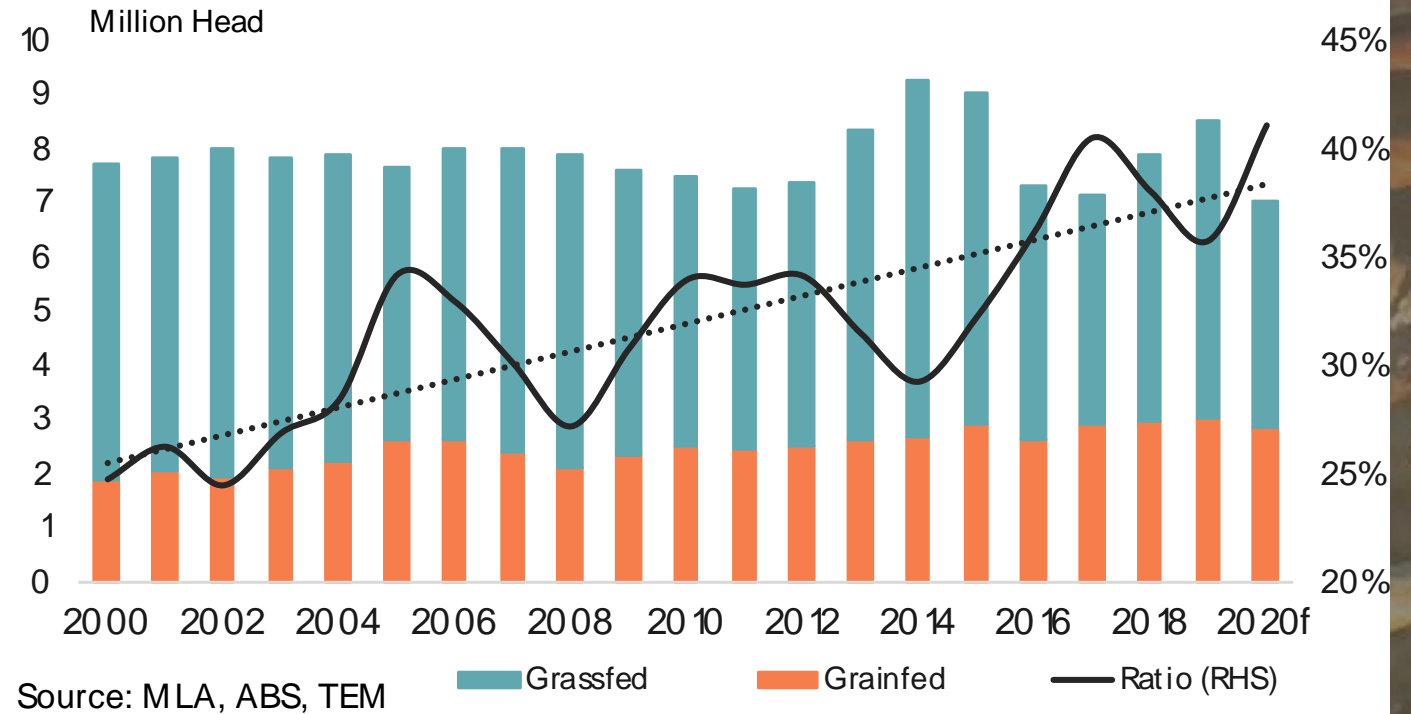
ESTLI Fair Value Model - Annual



Grain Fed Beef

- Growth in feedlot operations signals a move toward a more secure supply chain
- High value branded beef an underlying driver of trend
- Sheep feedlot operations to become more commonplace

Australian Grainfed vs Grassfed Cattle



An aerial photograph of a combine harvester working in a field of golden grain. The harvester is positioned in the lower right quadrant, moving towards the upper left. The field is densely packed with grain, and the harvester's long auger and grain elevator are visible. The lighting is warm, suggesting late afternoon or early morning.

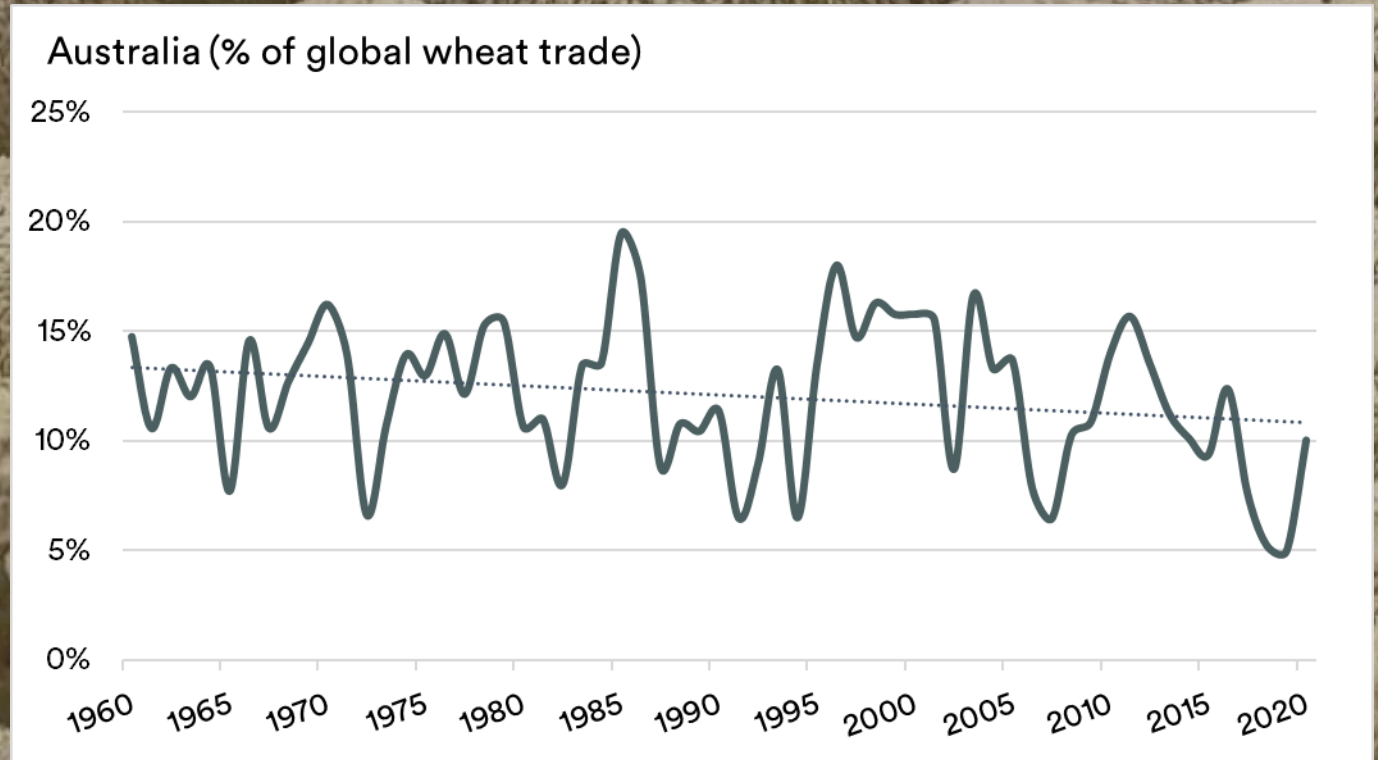
AUSTRALIAN GRAIN

A move away from exports

Andrew Whitelaw
Manager Commodity Markets and Insights

Australian grain

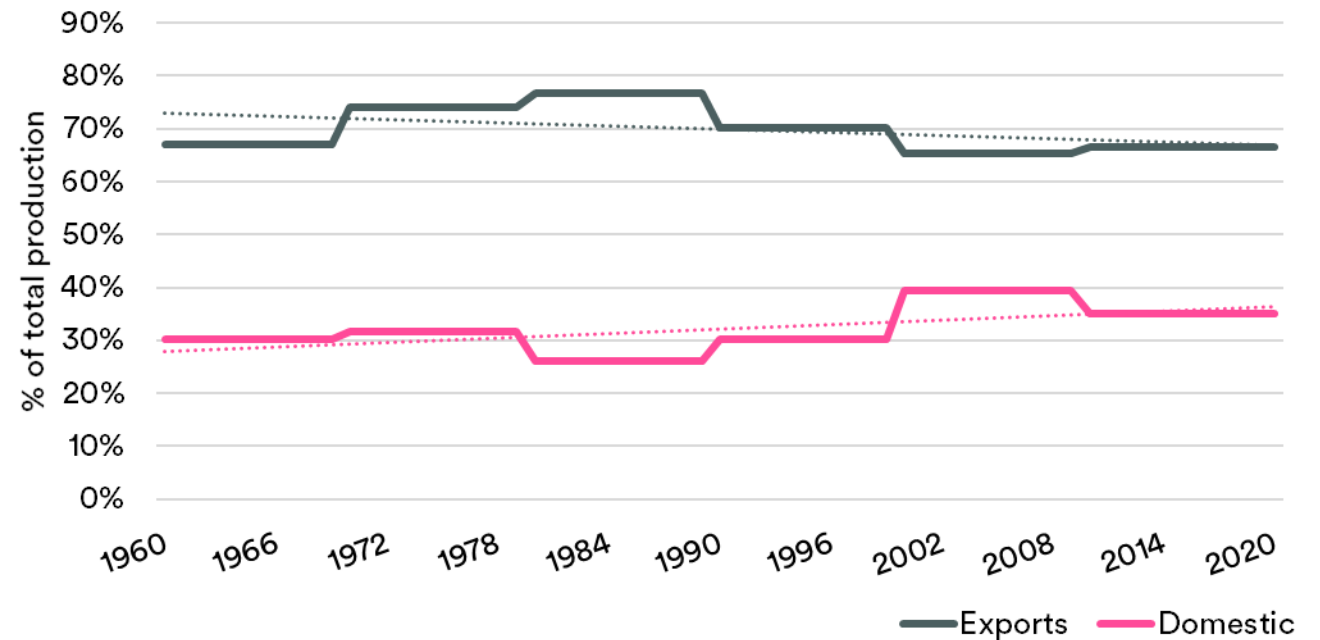
- Large producer, small population
- 10-15% of global wheat trade
- Falling and will continue doing so



A change of focus

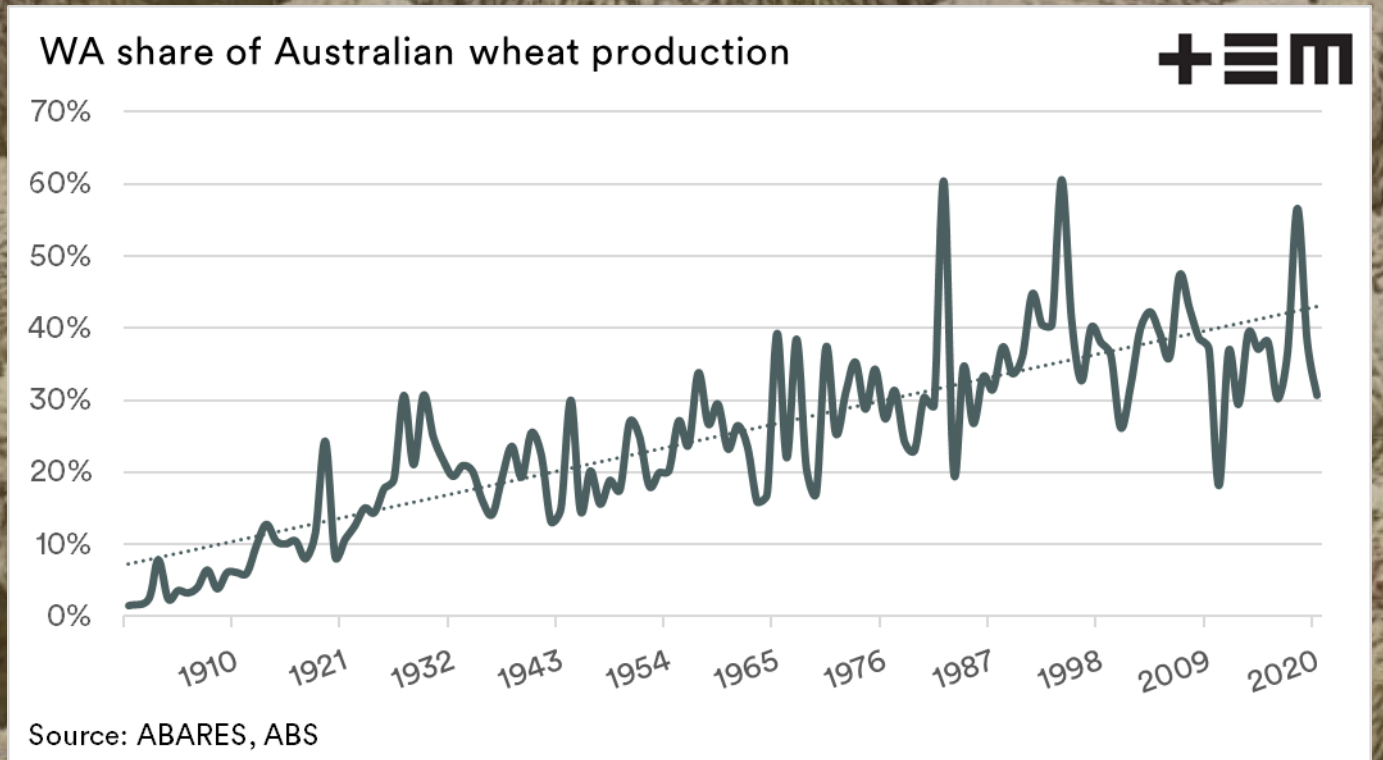
- Exports are gradually dropping
- Domestic consumption is rising
- The composition of demand is the important part

Exports and domestic demand (wheat/barley)



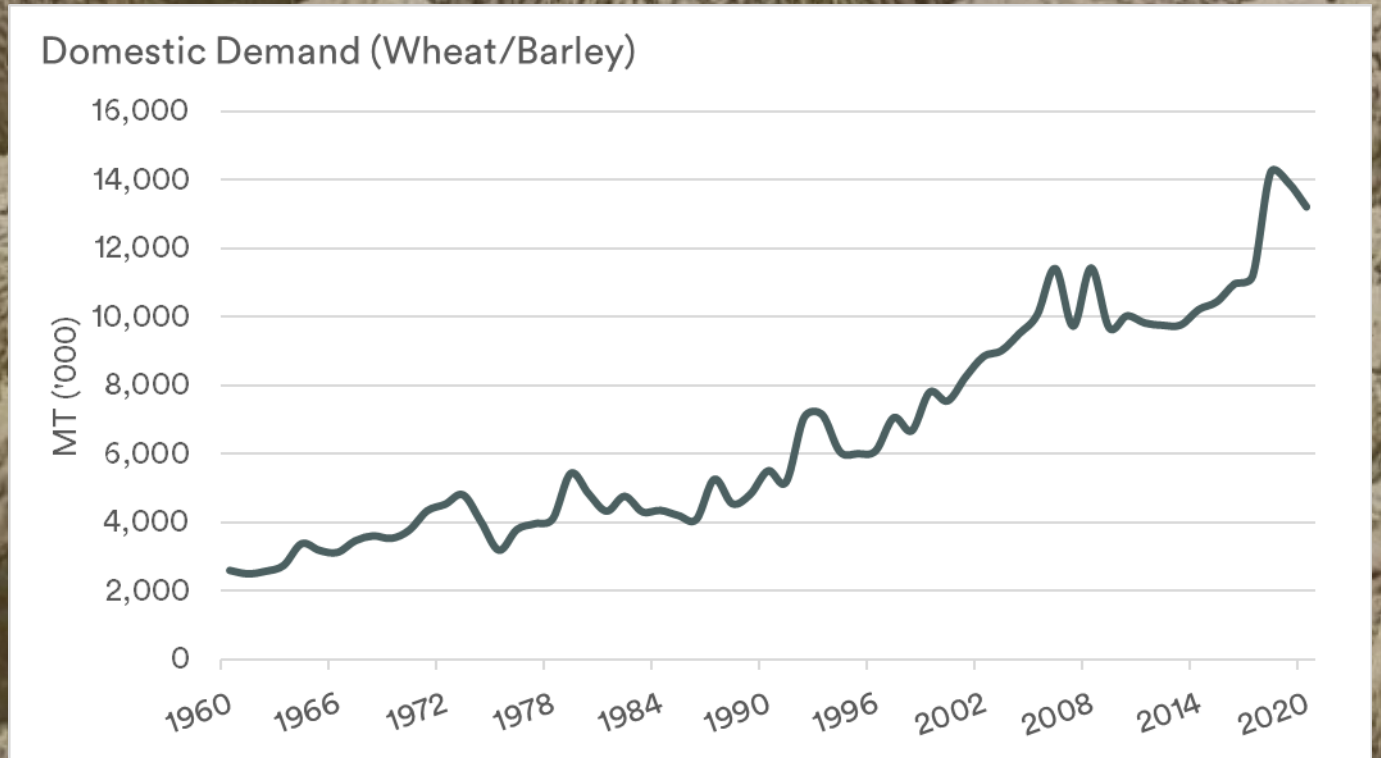
Australia is not a country

- Export vs domestic
- Western Australia will continue to be export dominated
- East coast is a mix



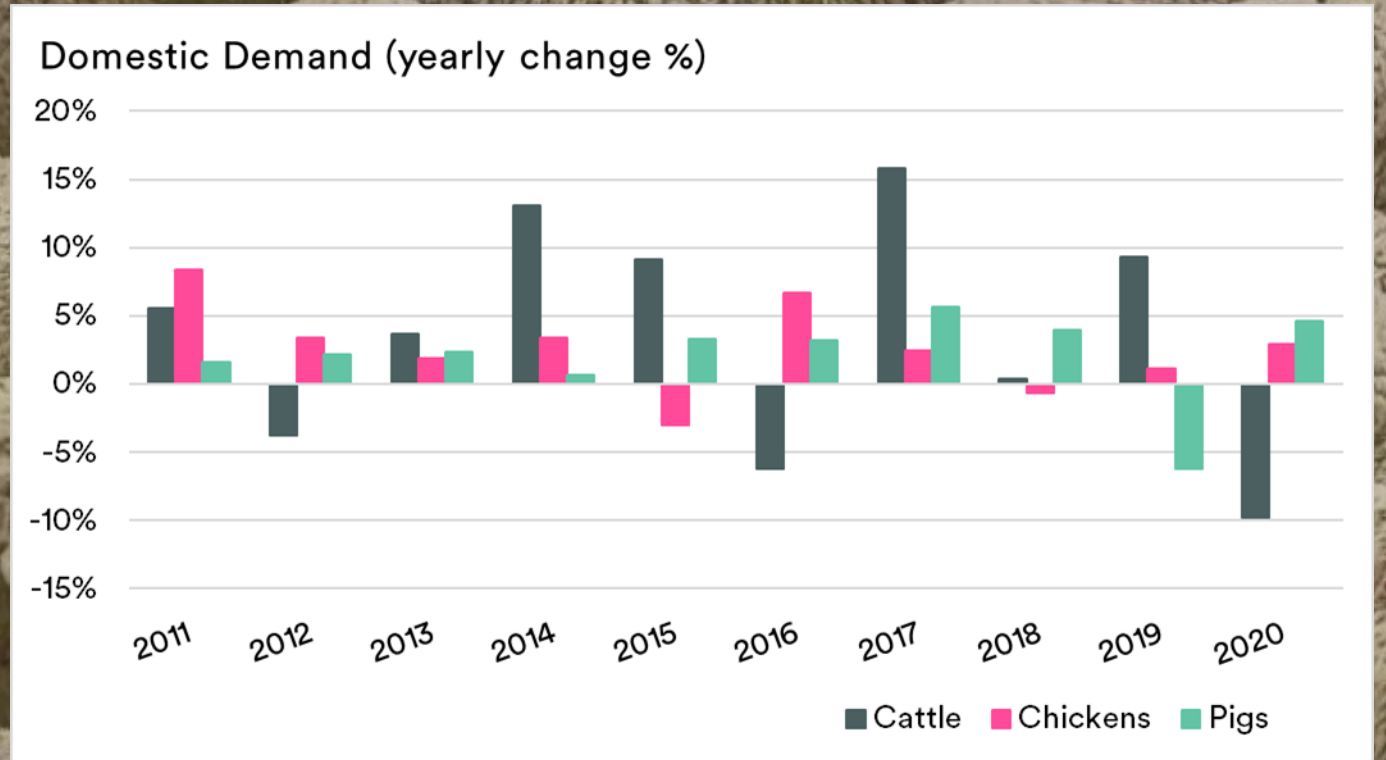
Domestic Demand

- Australian domestic demand is increasing
- Climate change will exacerbate this
- An investment in Australian cropping, is an investment in protein



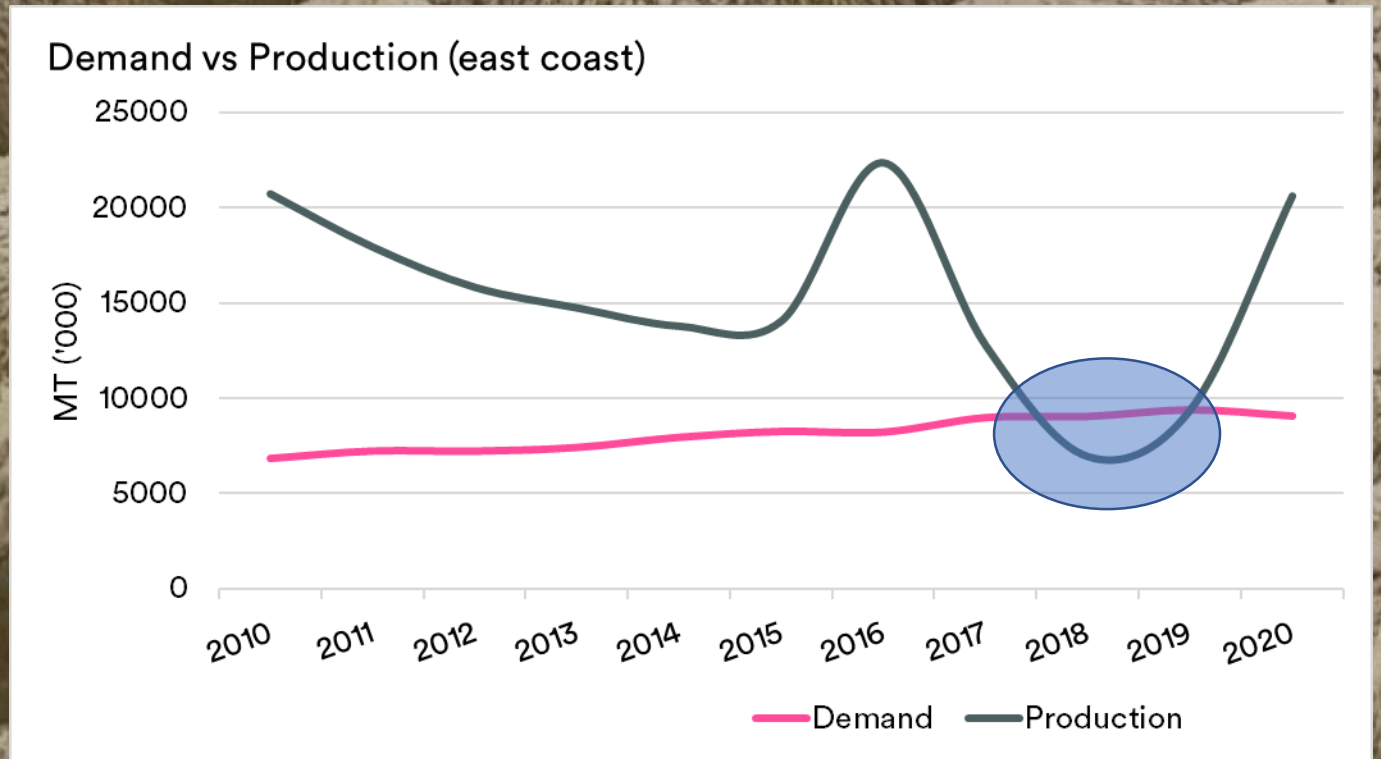
Domestic Demand

- Cattle leading at +39%
- Chickens at +29%
- Pork +22%



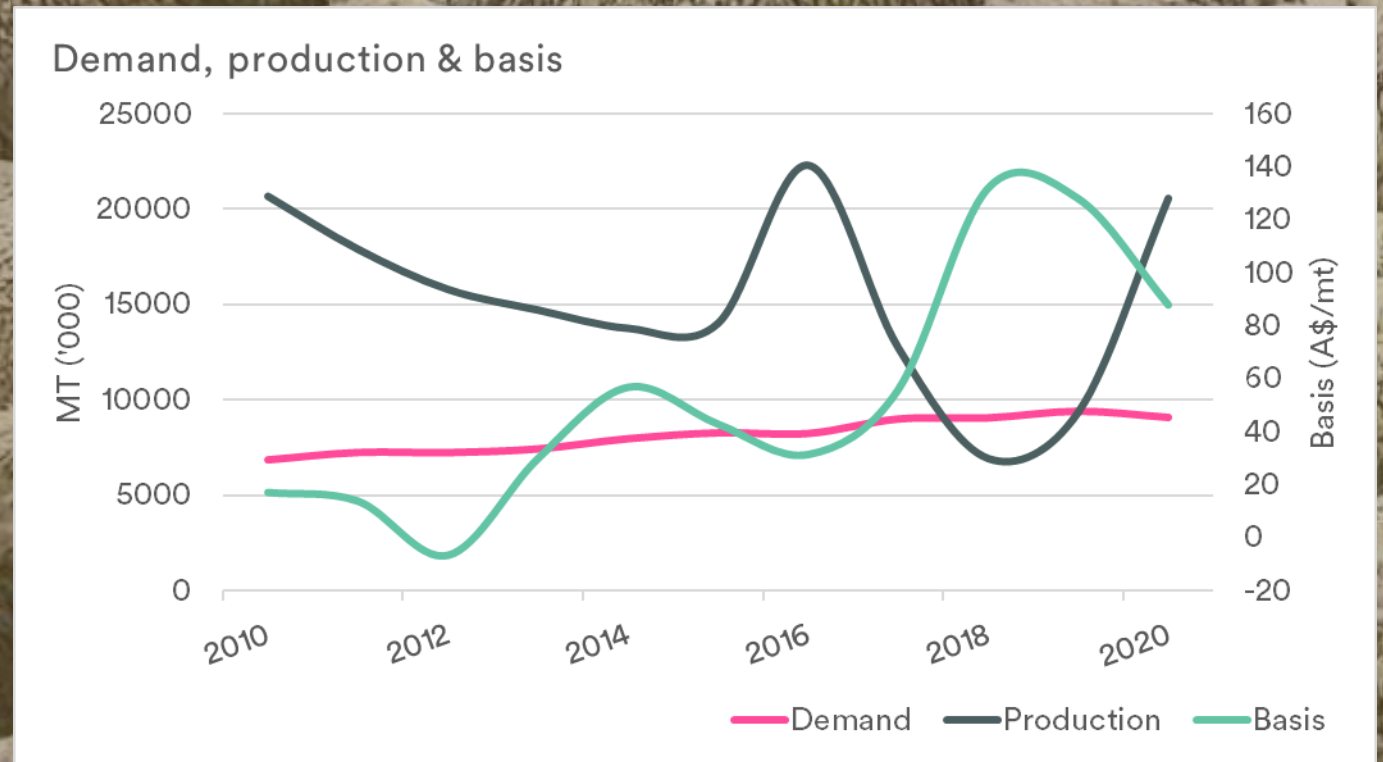
Exacerbated by climate

- Drought now leads to a supply/demand imbalance
- This is likely to occur on a more regular basis



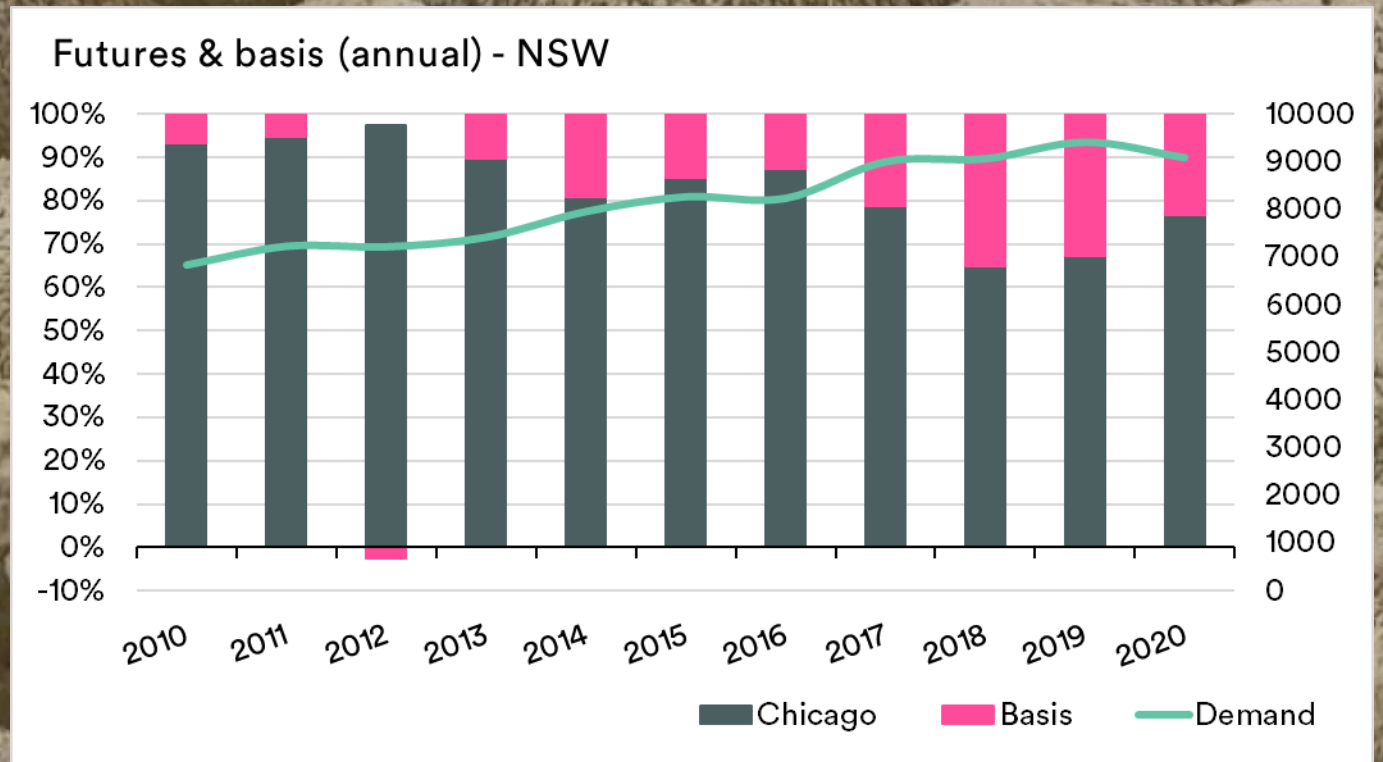
Drives local grain prices

- Basis is driven by lack of supply
- When demand exceeds supply, very strong premiums emerge
- Requirement for longer supply chains



Less reliance on overseas

- Overseas values remain a major driver
- Basis levels (NSW) have trended higher, even prior to recent droughts
- QLD is already a domestic market



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An aerial photograph of a vast agricultural landscape at sunset. The foreground and middle ground are filled with rows of hay bales scattered across a green field. A long, dense line of trees runs along the left side of the field. In the distance, there are rolling hills and a few buildings under a dramatic, cloudy sky with the sun low on the horizon, casting a golden glow.

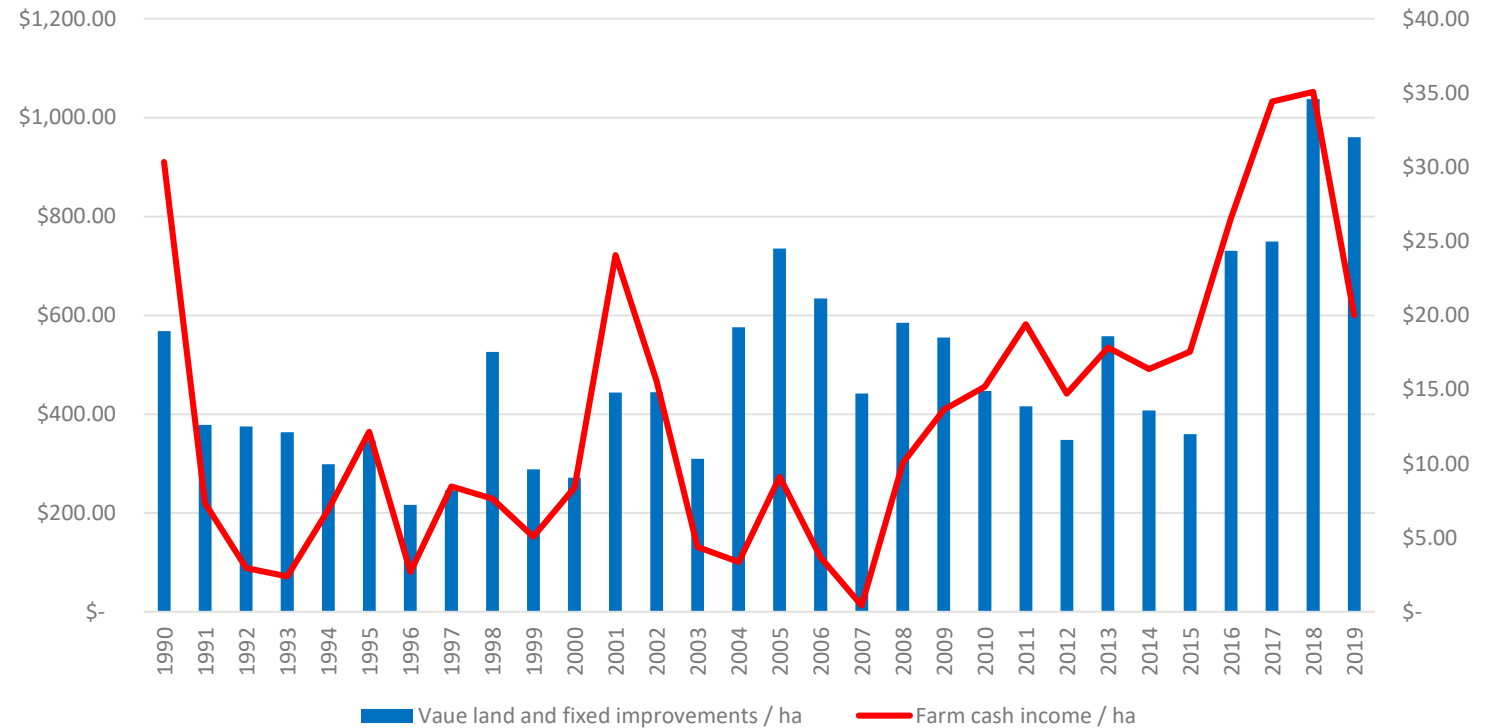
Implications for Investment Strategy

Mark Barber
Head of Agribusiness Investment Services



NSW Sheep Farm Cash Incomes ha and Value of Land and Fixed Improvements ha (real)

1. Strong gains in farm cash incomes since 2007 – 08
2. Solid asset appreciation
3. Demand rising for assets at scale
4. Greater interest in mixed farming – grain and sheep



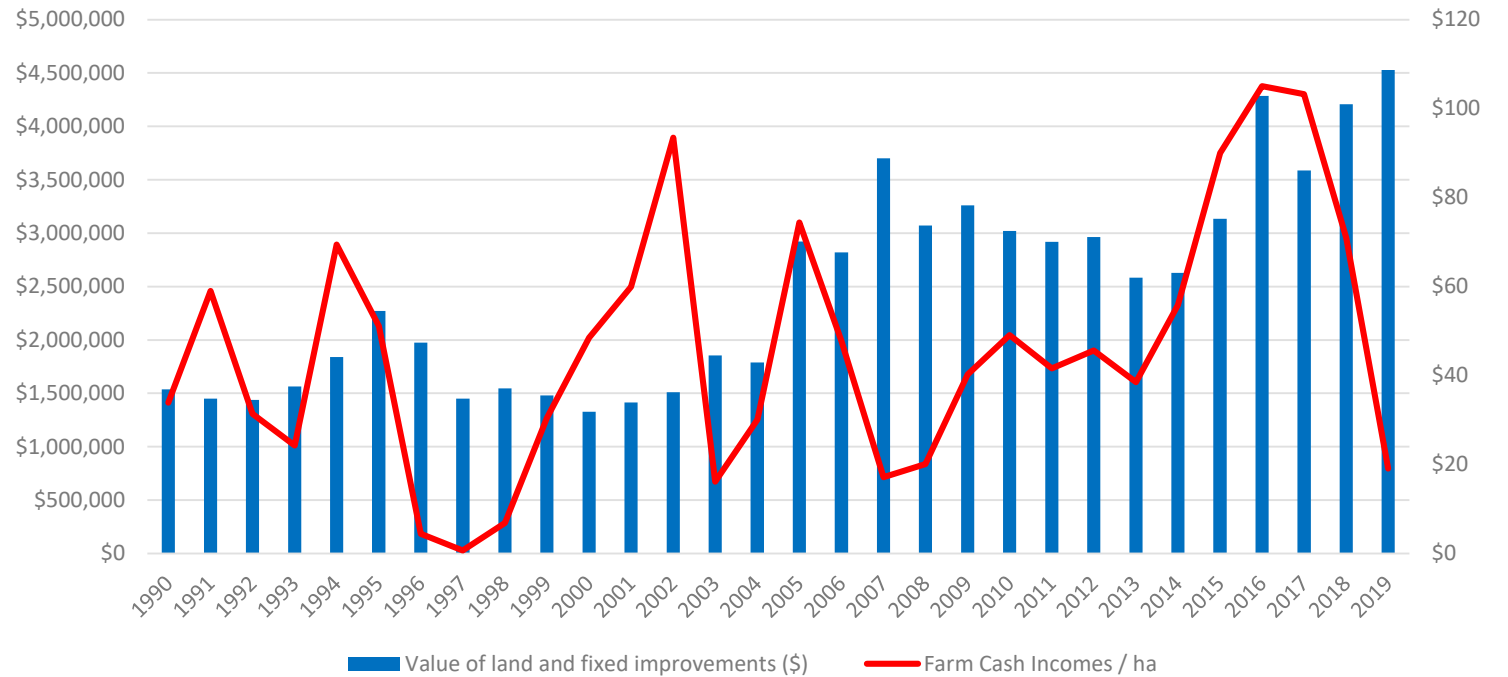
Source; ABARES AgSurf Data: <http://apps.agriculture.gov.au/agsurf/>

	5 year CAGR	10 year CAGR	20 year CAGR
Cootamundra – Gundagai	14.9%	10.1%	8.8%
Murray River	11.0%	3.5%	5.4%
Dubbo	11.0%	5.9%	8.4%

Source: Rural Bank Australian Farm Values 2020

1. As with sheep and lamb beef cash incomes have trended higher since 2007-08
2. Asset prices increased but from a high base than dedicated sheep – generally located in higher rainfall areas
3. Drought impacted 2019 – 20
4. Population predominately NE NSW

NSW Beef Farm Cash Returns ha and Value of Land and Improvements ha (Real)



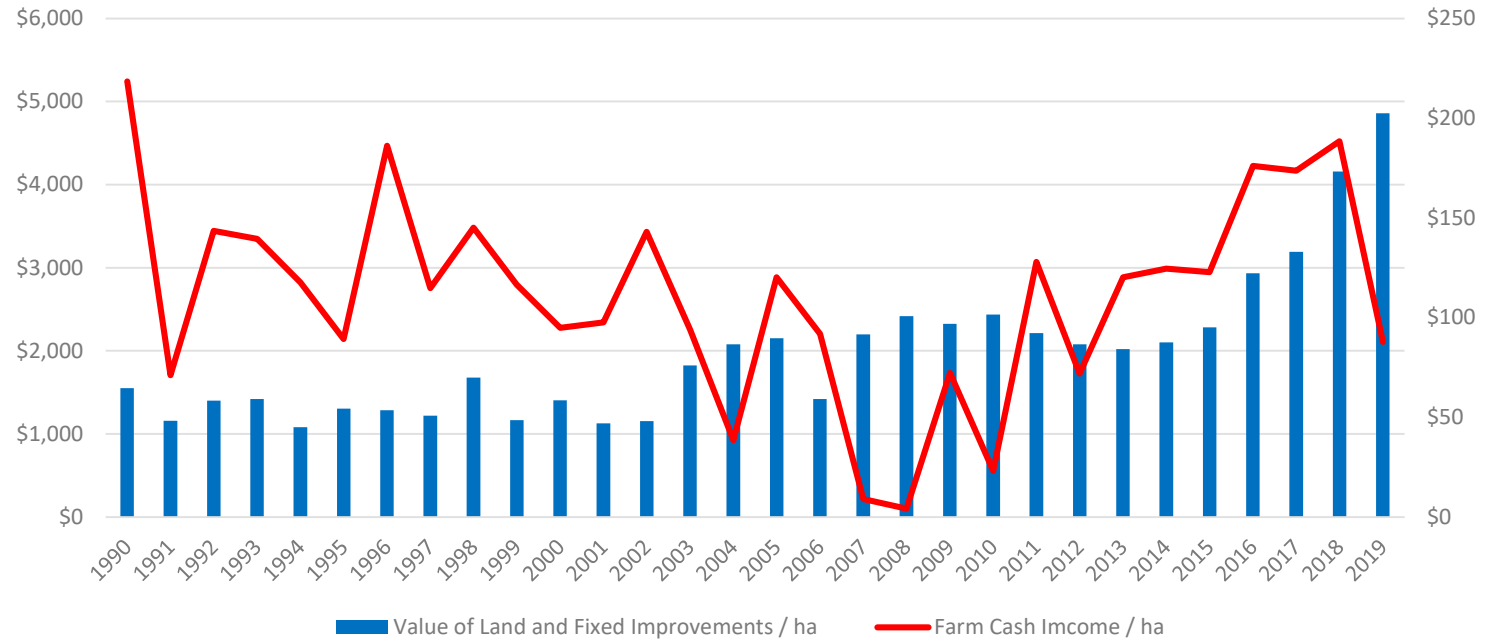
Source; ABARES AgSurf Data: <http://apps.agriculture.gov.au/agsurf/>

	5 year CAGR	10 year CAGR	20 year CAGR
Blayney	15.5%	7.7%	8.2%
Kempsey	12.5%	2.2%	6.9%
Glenn Innes	8.9%	6.0%	5.7%

Source: Rural Bank Australian Farm Values 2020

NSW Wheat and Other Crops Value of Land and Fixed Improvements / ha and Farm Cash Incomes / ha (Real)

1. Cropping areas showing strong recent trend in asset values
2. Cash incomes trending higher since 2007 – 08



Source; ABARES AgSurf Data: <http://apps.agriculture.gov.au/agsurf/>

	5 year CAGR	10 year CAGR	20 year CAGR
Moree Plains	7.6%	6.2%	9.2%
Narrabri	15.0%	10.2%	9.1%
Coolamon	14.7%	12.5%	6.2%

Source: Rural Bank Australian Farm Values 2020



PROTEIN MARKETS IN AUSTRALIA

Implications for Investment Strategies

1. Protein output (particularly lamb and sheep meats) is growing creating demand for livestock properties
2. Demand for grazing land appears strongest for high rainfall / lower climate variability areas (areas greater than 600mm of annual rainfall – winter spring dominant)
3. Portfolio construction; dedicated assets for steps in production cycle – breeding / growing / finishing with appropriate climate criteria
4. Proximity to reliable sources of grain and livestock processing
5. Greater use of technology emerging for pasture assessment and management – remote sensing bio mass / tracking livestock etc

PROTEIN MARKETS IN AUSTRALIA

In conclusion

1. Protein output is growing in Australia. Sheep and lamb output in particular has grown strongly with good prospects for continued growth
2. Growth in protein output is increasing domestic demand for grain. Increasingly this demand is fixed – to meet consumer expectations for consistent quantity and quality of product. Domestic demand underpins Australia grain prices
3. Protein output growth and demand for grain will continue to support demand for Australian agricultural assets

THANK YOU

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