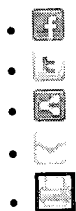


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## Competitor proteins: chicken meat still rules the roost



20 Apr 2013



General manager  
NAB Agribusiness,  
Khan Horne

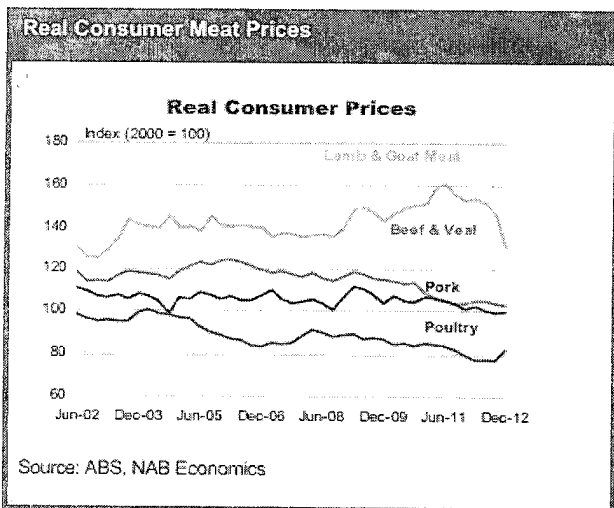
Chicken has retained its position as the most consumed meat in Australia for a fifth year running, and is now gaining on total red meat consumption.

According to the latest Rural Commodities Wrap from National Australia Bank Agribusiness, the popularity of chicken meat is expected to continue growing, underpinned by its perceived health benefits, ease of preparation and competitive price-point.

NAB's Agribusiness general manager, Khan Horne, says average annual consumption is expected to hit 44kg per person in 2012-13.

"While chicken meat prices have increased above historical trends over the past year, mainly due to high grain prices, this is expected to unwind once global production of corn and soybeans returns to normal.

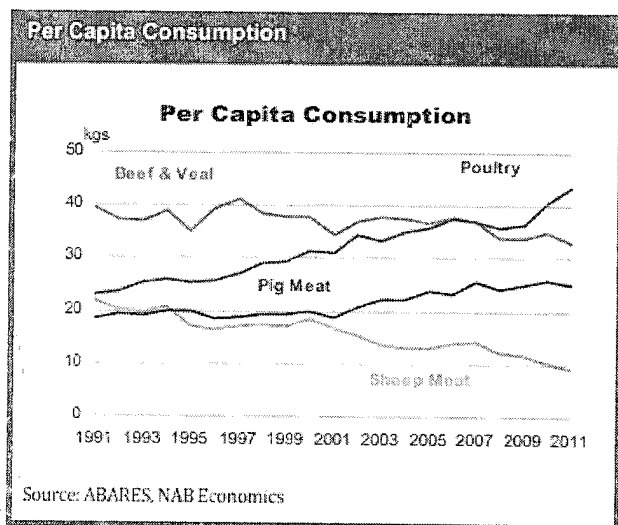
"However, in real terms, chicken meat is cheaper now than a decade ago, and these productivity gains are predicted to continue over the medium term," Mr Horne said.



Export growth is expected to resume in 2013-14; however, the bulk of increased production is expected to be absorbed by rising domestic consumption, as exports only account for three percent of total production volume.

Meanwhile, the Australian pork industry has also been impacted by rising feed costs, again expected to moderate in 2013-14 as grain prices return to more normal levels.

The industry has been weighed down by relatively flat prices and the expense of meeting the regulatory requirements to phase out sow stall pork production has constrained profitability for many producers.



A high degree of structural consolidation over the past decade is now stabilising, with production recovering in 2012 to a level close to that seen 15 years previously.

In 2011-12 the per capita consumption of pig meat reached 25.4kg, and this is projected to rise to 27kg per person by 2017-18.

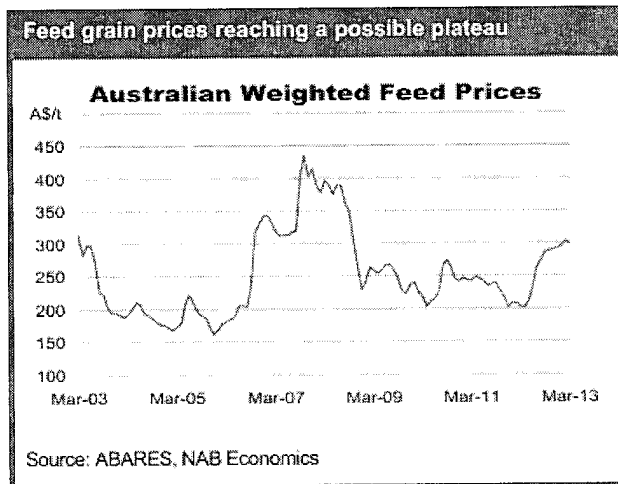
“Pig producers continue to see strong prices with bacon around \$3/kg, which is above historical levels at this time of the year. These prices are expected to hold over the coming months,” Mr Horne said.

In other commodities, sharp price rises for key exported commodities saw the NAB Rural Commodities Index lift by 3.0pc and 6.0pc in US\$ terms in February and March respectively.

The index grew even more strongly in A\$ terms, increasing by 6.3pc in February and 5.6pc in March. Driving the A\$ index price higher were gains in beef, dairy, wool, lamb and cotton, partly offset by falls in sugar and wheat, while the price of barley remained unchanged.

## NAB weighted feedgrains price

The NAB Weighted Feed Grains price was 1.1pc higher over the two months to March. This was driven by low global stocks of corn and soybeans, providing support to domestic feedgrain prices. Although this is an increase over the two month period, the sharp price rise in February was offset by a fall in March - the first monthly fall in prices in 10 months.



This potentially signals a turning point in the recent bullish trends of grains prices, as the production of grains and oilseeds around the world are forecast to be notably higher in 2013-14.

Relative to their individual price levels in January, feed wheat and barley were 2pc higher in March. Maize and triticale, accounting for a smaller weight of the index, rose modestly as well. On the other hand, the prices of sorghum and oats were 2pc and 1pc lower respectively.

## Currency Movements

February proved to be a weak month for the A\$:US\$ as the currency slipped steadily throughout the month and the first few days of March. The parity benchmark was tested when the A\$ fell to US101c on 5 March, followed a succession of weak Chinese purchasing managers' surveys covering both manufacturing and services and news of the Chinese government tightening lending standards and introducing new property taxes aimed at curbing the re-emergence of a house price boom.

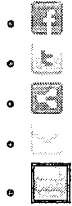
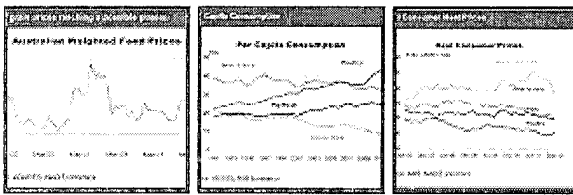
Since then, the exchange rate has recovered some ground to be around the 1.04 mark, owing to decent local data of retail sales and Q4 GDP, as well as RBA's decisions to keep the cash rate on hold in March and April.

The speed at which the A\$:US\$ rebounded from its early March trough and its subsequent resilience in the face of a strengthening US\$ has prompted NAB's currency strategists to lift their forecasts slightly through 2013. They now expect the exchange rate to be at US103c by mid-year (previously 101c) and 101c at the end 2013 (previously 99c).

A sustained drop through parity is deemed to be likely only in the event of a much stronger US\$, which to some extent is limited by the current flow of the US Federal Reserve's quantitative easing program.

On the domestic side, downside risks on the exchange rate will stem from further poor economic news from China and other parts of emerging Asia.

- A full copy of the April Agribusiness View can be obtained from [www.nab.com.au/agriview](http://www.nab.com.au/agriview)



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