



8 May 2013 Last updated 10:49 EST

Livex could curb beef export opportunity

By Jon Condon 06 Jun 2011



An independent economic analysis prepared for a group for Queensland export processors argues that growth in live export over the past four years will potentially damage the State's ability to take advantage of growing international demand for chilled and frozen beef exports.

Consultant company SG Heilbron says the growth in Queensland's live export trade is inflicting significant damage on the State's processing industry.

While the dynamics of the live export trade with Indonesia have changed since the private report was tabled last year, many of the underlying principles remain.

In the past few years live cattle exports from Australia have risen by a third to reach 950,000 in 2009. Queensland's share of that over the same cycle has risen from 12 to 19pc. Exports from Queensland ports alone (not including Qld-sourced cattle exported through Darwin) could rise to more than 300,000 head in the next three years, the report suggests.

The cattle lost to the meat processing industry would see a number of processing works either reducing output and employment or closing altogether, Heilbron says.

60pc of Australia's exports

The beef industry is not only Queensland's largest manufacturing industry and largest rural-based industry, but is also the state's second largest industry overall and the second largest export industry next to coal. Queensland has by far the largest beef industry in Australia accounting for more than 60pc of Australia's beef exports to high-value premium overseas markets.

"While other States may turn a blind eye to live cattle exports if they do not have a significant beef processing industry, Queensland cannot," the report says.

"Live cattle exports are cannibalising Queensland's beef industry, striking at the heart of its value chain. If left unchecked live cattle exports will bring the State's beef industry down with disastrous effects for asset values, investment, household incomes and employment."

The report suggests live export has grown almost unnoticed over the last 15 years, encouraged by "subsidisation and protectionist trade policies."

"It is in no sense a 'competitive' Australian industry operating on a level playing field," Heilbron says.

"Cannibalisation of the Queensland beef industry from live exports has now reached a critical phase. The beef industry is at a crossroads in its history. It needs to plan and invest for major expansion to capture the huge growth opportunity in world beef demand."

Asian market growth opportunity

The study points to data suggesting world GDP growth over the next 30 years will be driven by Asian economies – China, India, Indonesia and other countries of the region. The massive income growth in those countries as they develop into mature advanced nations is likely to trigger huge demand for higher value food, notably premium beef, which the Queensland beef industry was uniquely positioned to supply.

"That is, provided the significant commercial and public investment in expansion can be made," Heilbron says.

"But live cattle exports pose a major threat to this unique growth era in prospect. Live exports are increasingly taking Queensland's premium disease-free cattle out of the beef industry value chain – cannibalising the industry, and allowing operators overseas to produce premium 'Australian beef' in competition with genuine Queensland product."

A reliable and expanding supply of livestock is, and has always been, the essential prerequisite for the beef industry's growth and expansion.

The inevitable end result of uncontrolled live export activity was decline, and potentially demise of a major Queensland high value-added industry, with huge loss of assets, income and employment.

The beef industry was a major source of investment, incomes and jobs in rural and regional Queensland with major impacts in the Fitzroy, Townsville, Toowoomba and greater Brisbane regions.

Queensland, already a major world beef exporter in the premium beef segment, should adopt a resolute strategy to secure the foundation for further investment in the industry's expansion which will be essential to capture these huge economic and commercial benefits which the "Asian Century" growth era now presented.

Trade protectionism

Heilbron said earlier studies had shown that the key driver of live exports was not competitive market forces, but rather subsidisation and trade protectionism.

"This is still the case today, only more so," it said.

"For example, imports of certain cuts are banned outright by Indonesia – cuts which are critical to Australian exporters and protect Indonesian processors, lotfeeders and livestock importers (see second story "Revived call for level playing field").

"The discriminatory treatment against Australia's beef exports explains why live exports have been able to expand against a background of increased demand for imported beef by consumers in Indonesia, whose incomes are rising and who have increasing access to more modern retail outlets."

"The subsidies for lotfeeding and processing in Indonesia allied with subsidies for the live trade, and higher government influenced costs and charges for processing in Australia as well as barriers against Australian beef exports generate 'economic rents' for beef processed in Indonesia. Some of this is passed back along the value-chain in the form of incentives for livestock producers in Australia to supply the live trade."

Cattle, beef go head-to-head

Focussing on in-market competition, Heilbron claimed there is "clear and unmistakable evidence that beef from Australian live cattle is being produced and marketed overseas in direct competition with Australian exported beef."

"Some studies suggest this unsatisfactory situation inflicts no economic cost on Australia, and indeed suggest that live exports do not compete with processed beef exports at all.

"This is quite wrong. A measure of the economic benefits foregone in a study undertaken ten years ago was that live exports cost Australia \$1.5 billion in lost GDP, \$270 million in lost household income and around 10,500 lost jobs."

"To encourage the existing regime of unrestrained live cattle exports is tantamount to acquiescing in mercantilist policies which are anathema to Australia's long-standing policies of opposing subsidisation and protectionism in world trade and economic forums. In such circumstances it is fanciful to talk of a 'level playing field'," Heilbron says.

The report carried new economic research designed to highlight significant economic costs to Queensland and to key regions of the State through the growth in live export.

It showed that taking flow-on effects into account:

- In 2008-09 alone, live cattle exports cost Queensland \$140 million in lost value added (Gross State Product) and 1200 lost jobs.
- Cessation of the live cattle trade from Queensland and the NT would generate an additional \$382 million in gross state product for the State. This is more than the total value of live cattle exports from Queensland and the NT in 2008-09. There would also be an additional 3112 jobs generated.

The study agreed with earlier research findings that live exports imposed a net cost on the economy as high value added income and employment in Australia is siphoned off overseas.

"There is undoubtedly a significant opportunity cost to the State of Queensland from live cattle exports – and to its regions including the Fitzroy, Townsville, Toowoomba and Greater Brisbane areas. The deadweight costs to the Queensland economy of live cattle exports will increase in severity especially in rural and regional areas," Heilbron said.



HAVE OUR DAILY NEWS HEADLINES EMAILED TO YOUR INBOX, [CLICK HERE](#)