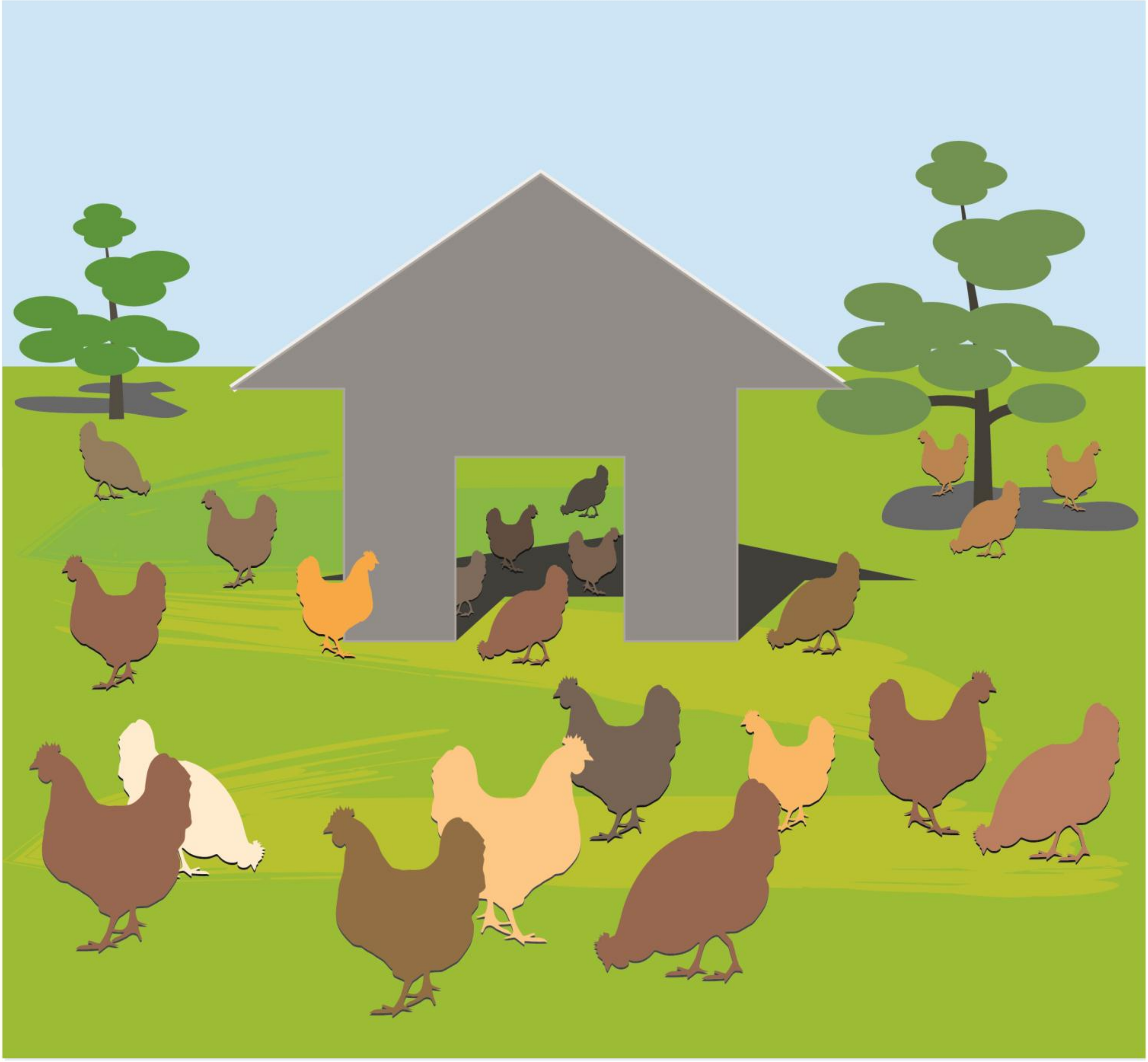
Chicken Industry Profile

December 2014



Department of Economic Development, Jobs, Transport & Resources

State Government Victoria

Victoria's Chicken Meat Industry

December 2014 Update

Key points

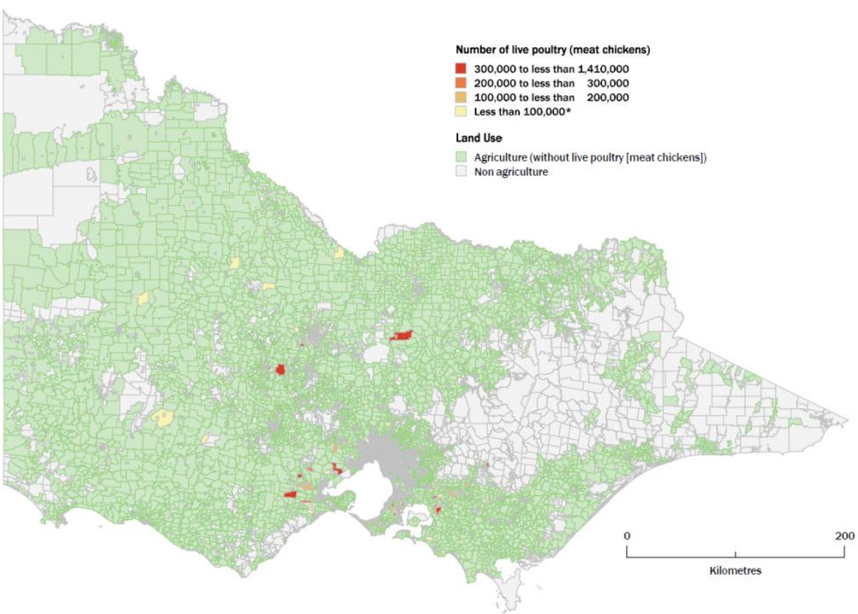
- The Chicken Meat Industry Profile provides an overview of the location, structure, production and performance of Victoria's chicken meat industry.
- In 2013-14, Victoria produced 243,000 tonnes of chicken meat, accounting for around 22 per cent of Australia's 1,084,000 tonnes of chicken meat production[1].
- Consumption of poultry in Australia, of which chicken meat is around 96 per cent, has increased from around 4.4 kg per person per year in 1960 to around 44.0 kg in 2012-13[2]. This has been driven by a number of factors including chicken meat becoming more price competitive and improving community perceptions of chicken meat as a consistent, healthy, versatile and convenient product.
- Consumer demand is expected to remain high as chicken meat prices will continue to be substantially lower than prices of most alternative meats, despite the effect of forecast higher feed grain prices.
- The chicken meat industry is vertically integrated with companies often owning facilities across the supply chain. However, around 200 independent farmers are contracted to grow meat chickens (generally referred to as broilers) on behalf of processors.
- Victoria exports on average 3 per cent of its chicken meat production as a result strong domestic consumption trends.

Location of Victoria's chicken meat industry

Broiler farms, where day-old chicks are raised to slaughter weight at between 35 and 55 days, are generally located within 100 km of their contracted processing facilities. Processing facilities are located within 80 km proximity of metropolitan centres to minimise transport costs, improve access to infrastructure and labour and be near their customer bases. Production is located primarily in the Port Phillip and Westernport region (64 per cent by gross value of production), Barwon (18 per cent), Gippsland (9 per cent) and Loddon (7 per cent) regions[3].

Breeding farms are generally separate from broiler farms to reduce biosecurity risks. They are mainly located in the Port Phillip, Barwon, Loddon and Goulburn regions.

Figure 1 – Victoria's chicken meat production regions[4]



Structure of Victoria's chicken meat industry

The Victorian chicken meat industry is highly vertically integrated and processing companies generally have investments across the supply chain. This may include breeding farms, feed mills, hatcheries, grow-out/broiler farms and processing plants.

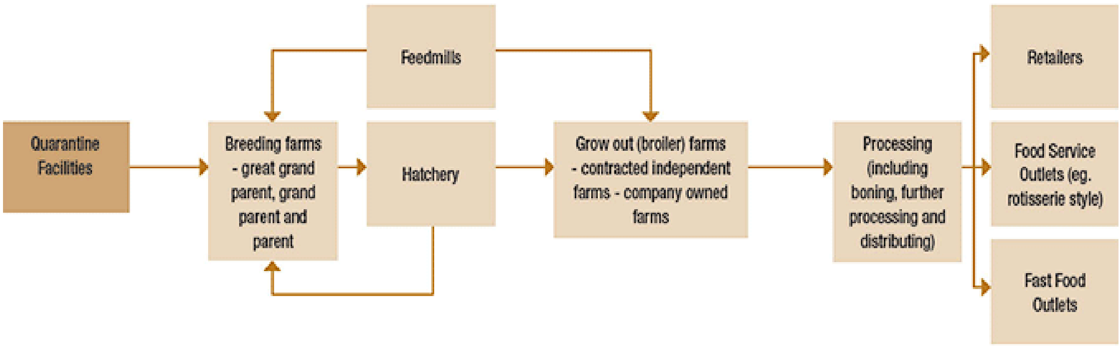
There are also around five Victorian breeding facilities and a number of broiler farms growing chickens in their own right[5]. Victoria has an estimated 220 businesses involved in chicken meat production[6]. Majority of these broiler farms are growing meat chickens under contract for the one of the three large processors. Under this arrangement, the processor retains ownership of the birds throughout the supply chain.

At any one time in Victoria, there are around 21 million broilers being raised for meat production[7] and around 800,000 breeding stock[8].

Well over 95 per cent of the chicken meat grown and eaten in Australia is produced by seven privately owned Australian chicken meat processing companies. The two largest, Baiada Poultry and Inghams Enterprises, supply more than 70 per cent of Australia's chicken meat, with the next five companies each supplying between three and nine per cent of the market. A large number of smaller processors make up the balance.

There are four main processing companies in Victoria – Inghams Enterprises, Baiada Poultry Pty Ltd, Hazeldene's Chickens Pty Ltd and Turi Foods Pty Ltd. There are also several smaller processors in Victoria.

Figure 2 – Chicken meat industry supply chain



Quarantine	Breeding Farms	Grow out (broiler) farms	Processing
Eggs are imported from US and UK suppliers of meat chicken genetic material. The eggs are hatched and raised to 9 weeks in quarantine facilities. (The hatched birds are great grand parent birds.)	The great grand parent birds are bred out for several generations. The great grandparent offspring are then raised for meat production.	The one day old chickens hatched from the parent generation are delivered by the processing company to its own farms or contracted farms. They are grown out for 30-55 days.	The processing company selectively collects chickens of varying sizes from the broiler farms depending on its needs. The chickens are then processed into a range of fresh, chilled, frozen and value added products.

Victoria's chicken meat production

Australian chicken meat production increased by 4 per cent from the previous year to 1.08 million tonnes in 2013-14, from approximately 580 million meat chickens[9]. The forecast for 2014-15 is for a further increase of 4 per cent to 1.12 million tonnes.

In Victoria, around 137 million chickens were processed in 2013-14, producing around 243,000 tonnes of chicken meat. The amount of chicken meat produced in Victoria has been increasing (Figure 3), especially at a higher rate from 1996-97. After 2008-09 however, the total Victoria production has plateaued. Victoria is the second largest producer of chicken meat in Australia accounting for 22 per cent of national production. In 2012-13, the gross value of production for Victoria's poultry meat industry was $563 million[10].

Over the past decade, the poultry industry has achieved significant productivity growth by improving genetic stocks, husbandry procedures and processing technology, which has led to increased slaughter weights and lower growth in production costs. The average weight of meat production per bird stays unchanged after increasing by 1 per cent to a record 1.9 kilograms in 2010-11, 16 per cent higher than a decade ago[11]. The average carcass weight represents the most commonly sought after size for retail and wholesale consumers. The increased size of the meat chickens in Australia mainly reflects improved genetics.

No hormones are used in chicken meat production in Australia.

Improvements in the ability of certain breeds of chickens to convert feed have decreased the time that it takes for chickens to reach full size and allow farmers to raise more batches of chickens in a year. According to the Australian Chicken Meat Federation Inc., feed conversion efficiency has improved from 2.33 kg of feed per kg live weight in 1975 to 1.70 in 2011. Improvements to animal nutrition and health management practices have also increased efficiencies in production[12].

Figure 3 – Chicken slaughterings and meat production in Victoria[13]

Production systems

Chicken meat production can occur under a number of production systems, including conventional sheds, free-range and organic, giving consumers greater choice. Each system has different requirements in relation to components such as stocking densities and the use of purpose developed feed and medication. The costs of production, and subsequently the retail price of the products offered, also vary between systems.

Victoria's exports and domestic consumption of chicken meat

Around 97 per cent of chicken meat production in Australia is consumed by the domestic market. Per capita consumption of chicken meat has been increasing steadily and now exceeds beef and veal (Figure 4). Consumption of poultry meat – of which chicken is around 96 per cent – increased from 4.4 kg per person in 1960 to a peak of 44.0 kg in 2011-12[14]. This makes Australia the second largest consumers of chicken meat per capita after Brazil[15].

Chicken consumption has risen almost 1 per cent in the last year, and is expected to continue to maintain its place as the most popular meat in the next few years. Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) estimates that chicken meat consumption in Australia will continue to rise, reaching 47 kg per person per year by 2017-18. In comparison, per person consumption of beef and veal, pig meat and sheep meat is expected to average 33 kg, 26 kg and 10 kg, respectively.

The most important factor in this growth has been the price competitiveness of chicken meat relative to other meats over the long term, as shown in Figure 5. This is due to improved production efficiencies, the automation of the processing sector and rationalisation and integration in the supply chain.

The increase in demand from consumers has also been supported by the processing and retail industry taking advantage of value adding opportunities and an increased recognition of chicken as a safe, consistent, versatile and easy to use product. In the 1960s, whole birds represented the main product sold. Since then there has been strong growth in demand for chicken cuts and fillets, such as raw chicken breast fillets or chicken drumsticks, together with increased demand for further processed chicken products. These factors have driven stronger home consumption and supported the establishment and continued growth of chicken based fast food and food service outlets.

Supply to the domestic market has historically come from processors within the state of production. This is particularly the case for fast food and food service outlets, which generally require daily deliveries of fresh chicken. While Australian processors are likely to continue to dominate supplies of chicken meat domestically, there is also some limited scope for overseas suppliers to compete with local cooked chicken meat products.

Figure 4 – Apparent per capita meat consumption in Australia[16]

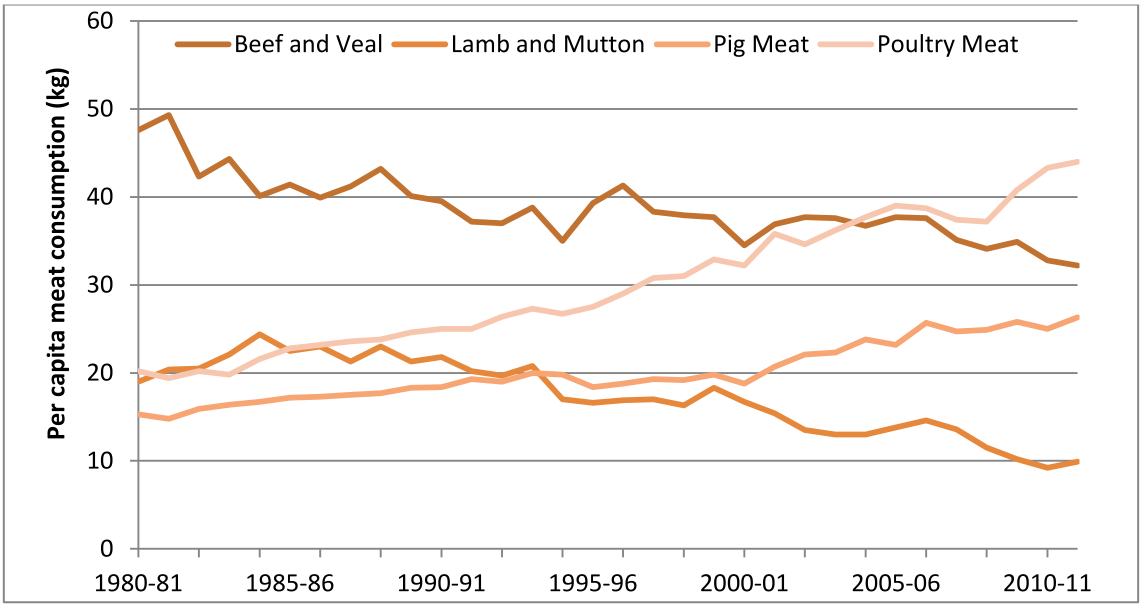
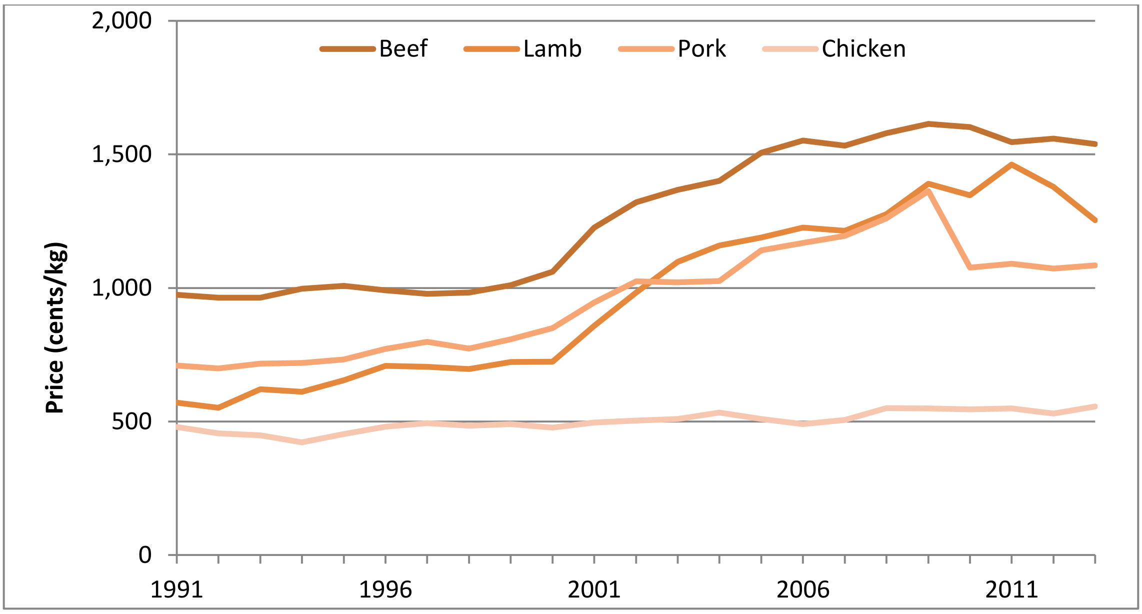


Figure 5 – Retail meat prices (per kg) in Australia[17]



Australia exported around 38,000 tonnes of chicken meat valued at $53 million in 2013-14 with Papua New Guinea, the Philippines, Hong Kong and South Africa accounting for over three-quarters of total shipments[18]. Around 94 per cent of Australia's chicken meat exports consisted of cuts and edible offal and the remainder was mainly whole chickens. Victoria accounted for around $21 million of these exports in 2013-14.

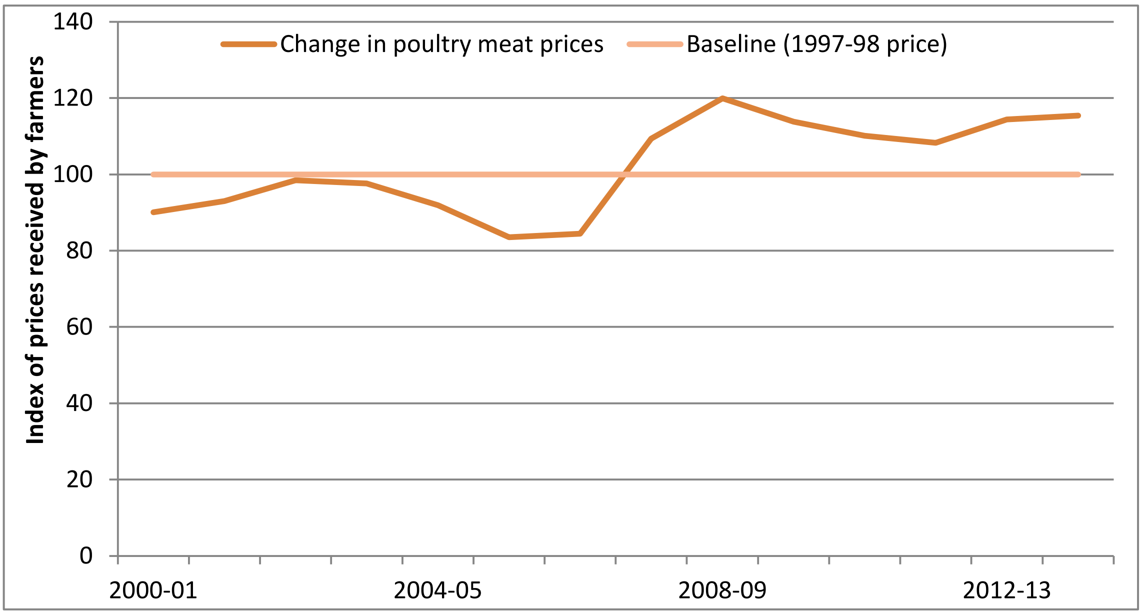
Total factor productivity

There is no information available on total factor productivity for the poultry or chicken industries. However, the ability of the chicken meat industry to maintain a relatively consistent and competitive price by improving production and processing efficiencies and rationalisation suggests the industry has been experiencing reasonable productivity growth. Enhanced productivity in the chicken meat industry can be attributed to factors such as specialist breeding for better feed conversion, more sophisticated shed types, automation in processing and improved waste management[19].

Prices

Farm gate prices for chickens are determined by the terms and conditions of the contract between the grower and the processing company and as such are not publicly available. ABARES' indexed prices suggest that the real prices received by poultry growers in Australia have peaked in 2008-09, then declined up to 2011-12 and started increasing again.

Figure 6 – Indexed prices received by poultry meat producers in Australia[20]



Farm financial performance

There is no quantitative information available on the financial performance of broiler farms. However, this farming sector enjoys relative security compared with other livestock industries since contract growers do not pay for feed, stock or veterinary costs. Financial insecurity can be caused by a decrease in the number of chickens placed on a farm by the processors. Since January 2014, 100 per cent of Coles home brand fresh chicken have been Royal Society for the Prevention of Cruelty to Animals (RSPCA) Approved. Coles has been selling RSPCA approved chicken meat since 2011. Its research indicated that customers would buy more fresh chicken meat if improved welfare options were available.

Meeting the RSPCA Standard will increase chicken farmers' costs due to the need for more space for birds (lower broiler shed densities), installing perches, more lighting, deeper litter and higher audit, labour and transport costs. The Standard may also have implications for labour costs and feed quality control, due to the need to meet stricter standards for bird welfare.

The main input costs for the chicken meat industry are asset management, labour costs and feed. The broiler farmers are generally responsible for asset management and labour, while feed and day old broilers are usually provided under contract by the processing company.

Employment

In 2011, around 1,522 people were employed on poultry farms in Victoria and around 2,660 were employed in the manufacturing of poultry products in Victoria. The 1,522 people employed in poultry production included 370 employed in the poultry meat industry, 734 employed in the poultry egg industry and 418 for which the data available does not distinguish between egg or meat production[21].

Government policy/regulation influences

Broiler farmers are required to comply with a range of policies relating to food safety, animal welfare, biosecurity and the environment – for example, the Code of Accepted Farming Practice for the Welfare of Poultry and the Prevention of Cruelty to Animals Act 1986. New broiler farm developments and capacity expansions must also comply with the Victorian Code for Broiler Farms 2009.

The industry is developing a strategic vision for the Victorian chicken meat industry which is being jointly funded by industry and government.

Through a technical workshop held in 2014, the broiler industry heard and discussed the most recent research about odour emissions from free range farms as well as best practice for the spreading of non-composted poultry litter on farm. A technical reference group was also created to develop clear and workable odour modelling guidelines for undertaking an Odour Environment Risk Assessment required for specified classes of broiler farms.

[1] Australian Bureau of Statistics (ABS), *Livestock Products, Australia*, June 2014, 7215.0

[2] Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), Australian Commodity Statistics, September 2014

[3] ABS, Value of Agricultural Commodities Produced, Australia, 2012-13, 7503.0

[4] ABS. Based on AGS2011 Mesh Block Boundaries. Number of live poultry (meat chickens) sourced from the 2000-11 Agricultural Census. Land use based on ASGS2011 Mesh Block Use Categories. This map was produced using coordinate system: Lat/Long GDA94 © Commonwealth of Australia, 2014

[5] Australian Chicken Meat Federation Inc. (ACMF), unpublished data, December 2014

[6] ABS, unpublished data, 2014

[7] ABS, Agricultural Commodities, Australia, 2012-13, 7121.0

[8] ACMF, unpublished data, December 2014

[9] ABS, Livestock Products, June 2014, 7215.0

[10] ABS, Value of Agricultural Commodities Produced, Australia , 2012-13, 7503.0

[11] ABARES, Agricultural Commodity Statistics, 2013

[12] Australian Chicken Meat Federation Inc. (ACMF), The Australian Chicken Meat Industry: An Industry in Profile 2011

[13] ABS, Livestock Products, various years, 7215.0

[14] ABARES, Australian Commodity Statistics, 2013

[15] ACMF, The Australian Chicken Meat Industry: An Industry in Profile 2011

[16] ABARES, Agricultural Commodity Statistics, various years

[17] ABARES, Agricultural Commodity Statistics, various years

[18] Department of Environment and Primary Industries (DEPI), Victorian Food and Fibre Export Performance Report 2013-14

[19] ACMF, The Australian Chicken Meat Industry: An Industry in Profile 2011

[20] ABARES, Agricultural Commodity Statistics, various years

[21] ABS, 2010-11 census of population and housing