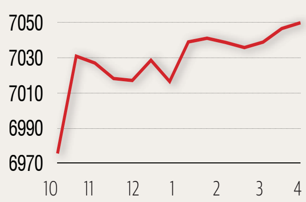
ASX 200

7049.20

+73.10 +1.04%

The local bourse has enjoyed its best single day in nearly a month, climbing back over 7,000 following a strong lead from Wall Street.



ALL ORDINARIES	BEST ASX 50	WORST ASX 50	$A	OIL BRENT	IRON ORE
	LEND LEASE	MIRVAC GROUP	US CENTS	$US PER BARREL	$US PER TONNE
7148.70	$18.37	$3.33	67.58¢	$55.67	$79.87
+67.80 +0.95%	+.66 3.73%	-.11 -3.20%	+0.23 +0.34%	+1.86 +3.45%	-1.76 -2.15%

is $15b a year — Penn

defining challenge of the 2020s," he told the luncheon.

Later this month the Federal Court will hand down its decision on a proposed $15 billion TPG-Vodafone merger.

Many competition lawyers expect the court will overturn the Australian Competition and Consumer Commission's decision to block the deal.

The merger would result in the joining of forces by the third and fourth biggest players in the telecommunications market.

Mr Penn would not share his thoughts on the potential merger but said the industry was "entering a really exciting period" as it rolled out 5G and his company focused on "things we can control".

"We are pleased with how we are going with 5G and we are happy to compete in the market," he said.

Mr Penn backed the competition watchdog's push to overhaul the nation's consumer protection laws.

ACCC chair Rod Sims has sought new laws which move away from an "unconscionable conduct" test to a simpler unfairness test. Mr Penn said: "While I am no expert in law, I think I agree with Rod's point about fairness."

Separately, he revealed Telstra would roll out a $30 plan with no excess data charges on a no-lock-in contract, alongside cheaper $99 smartphones "to provide an affordable option for low-income Australians".

Telstra has previously come under fire for putting disadvantaged Australians on onerous contracts.

Why rain's no good for our meat prices

THE SHORT CUT

ROGER MONTGOMERY

AS a professional investor, I don't usually hand out consumer warnings.

But make no mistake, an apocalyptic price increase for your steaks and beef sausages is on the horizon if it rains in Australia next year.

And it is all thanks to a virus outbreak — but no, not the one you are thinking of.

African swine fever is decimating China's pig herd right now.

It hasn't received too much publicity, probably because the issue is not currently affecting us and the world is transfixed with the separate novel coronavirus outbreak.

But a global protein price boom is under way and is not going to get better any time soon.

The drought in Australia, combined with African swine fever in China, has caused beef prices to surge globally.

African swine fever is a virus that kills most pigs that it infects within two weeks.

It has halved China's 340 million-strong swine herd since August 2018, triggering a pork production shortfall of 15 million to 20 million tonnes.

The consequences are being felt across the protein spectrum, from beef and lamb to fish and chicken.

In the US, for example, the imported beef indicator price (90CL chemical lean — a benchmark price for frozen manufacturing beef into the US) is near a four-year high.

In Australia, thanks to the drought, beef farmers are being forced to send their herds, including breeding cows, to slaughter.

The proportion of cows slaughtered is up 17 per cent year on year and 20 per cent higher than the five-year average. This would usually keep a lid on prices.

A switch to alternative cuts such as leg cuts would also put further downward pressure on prices.

Today, however, a weak Australian dollar and huge demand from China for all cuts of beef — hindquarter cuts exports to China are up 81 per cent — is supporting a global boom in prices.

THE US is still our largest market, accounting for nearly 40 per cent of beef shipments calendar year to date. But demand from China is growing rapidly.

Two years ago China represented just 3 per cent of Australian exports.

In 2019 Chinese demand grew fourfold to 12 per cent.

New Zealand is experiencing similar dynamics, with beef exports to China rising 155 per cent in the past year to almost 55 per cent.

In September, China's pork imports jumped more than 70 per cent year on year and domestic prices more than doubled.

Many believe the Chinese pork shortfall will continue for the next 3 to 5 years.

Consequently, Australian beef prices at the supermarket, along with prices consumers pay for burgers at all the major chains, will rise dramatically.

And the upward pressure on prices will intensify if it rains.

Why? Because farmers will start restocking and breeding, restricting the number of animals sent to slaughter. For consumer it means higher prices — something they are not going to welcome.

For investors, however, it is a gift.

If the Chinese protein shortage caused by swine fever leads to long-term substitution for beef, chicken and lamb — and maybe even salmon — there are several businesses that might benefit.

In preparation for the northern hemisphere summer demand spike — keep in mind the US cow cull is up significantly — the US will have to compete with China to obtain its desired quantities.

Prices could be headed much higher.

If this happens, investors may have underestimated the impact on the revenue side for producers and on the cost side for customers.

And the current outbreak of African swine fever raises another issue for consumers and investors — namely meat health and safety.

Intensive animal farming involves overcrowding, which when combined with unhygienic conditions, provides an ideal environment for potentially deadly pathogens.

As concerns about tainted foods, antibiotic and hormone use along with virus outbreaks rise, so do investment opportunities.

These will be among pharmaceutical companies and businesses that offer alternative, animal-free, sources of protein.

More than half the world's antibiotic consumption is by the livestock industry.

ROGER MONTGOMERY IS CHIEF INVESTMENT OFFICER AT MONTGOMERY INVESTMENT MANAGEMENT

MARKET WRAP

SHARES in **CSL** have broken through the $320 mark for the first time.

Shares in the blood products and vaccine maker climbed 1.6 per cent to $320.62 yesterday.

The gains take the Melbourne-based company's market value to $145.5 billion. That is within a whisker of the Commonwealth Bank which has a market value of $149.1 billion.

The rise at CSL came as the local bourse enjoyed its best single day in nearly a month yesterday, climbing back over 7000 points following a strong lead from Wall Street.

The benchmark ASX200 index finished up 73.1 points, or 1 per cent, at 7049.2 points, while the broader All Ordinaries index closed up 67.8 points, also 1 per cent, at 7148.7 points.

It was the ASX200's third straight day of gains and best single-day rally since January 7.

"It's been a very strong day on the market," Australian Stock Report senior adviser Tom Armstrong said.

Energy stocks were the biggest gainers as the price of oil rose. **Woodside Petroleum** gained 2.7 per cent to $34.36 while **Santos** put on 1.5 per cent to $8.38.

The big four banks all climbed higher with **CBA** up 1.1 per cent to $84.23, **ANZ** 1.1 per cent to $26.11, **National Australia Bank** 1.3 per cent to $25.95 and **Westpac** 1.7 per cent to $25.16.

BHP gained 1.7 per cent to $39.54, **Rio Tinto** 0.7 per cent to $99.14 and **South32** put on 2.7 per cent to $2.66.

Dexus to reward shareholders

PROPERTY

THE nation's biggest office landlord will increase its payout to shareholders as demand for prime office space drives rents higher, particularly in Melbourne.

The fatter returns to shareholders follow Dexus reporting a healthy jump in net profit to $994.2 million for the six months to December compared with the same period a year earlier.

That was up 36.9 per cent on the previous period, primarily due to a revaluation of 109 of its 118 office towers and industrial assets.

The property group announced an interim dividend of 27c per security and said it expected to increase its total dividends for 2019-20 by 5.5 per cent, up from an earlier forecast of 5 per cent growth.

Chief executive Darren Steinberg said the ASX 50 property group was benefiting from demand for quality properties in its core markets.

It has locked in rent increases of between 3.5 per cent and 4 per cent across its portfolio, he said.

Dexus achieved record Melbourne rents and set new benchmarks for the city's CBD with the focus on 80 Collins St, the 35-level office tower it bought last year for $1.5 billion.

Six new tenancies increased the lease space there from 63 per cent to 97 per cent.