

Industry projections 2023

Australian cattle





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KEY POINTS

- National herd continues to grow, reaching its highest level in a decade.
- Prices are expected to operate at 10-year averages for the remainder of 2023.
- Cattle slaughter forecast to rise strongly from 2022 low's as processing capacity improves.



KEY 2023 NUMBERS

-  **Herd:**
28.7 million head
-  **Slaughter:**
6.95 million head
-  **Carcase weights:**
316 kg/head
-  **Production:**
2.2 million tonnes cwt

*Graphic illustrates year-on-year change

Summary

The national cattle herd's growth will continue strongly in 2023, ensuring high supply of both young cattle and finished weight animals to market well into 2024.

Northern:

- Northern Australia's herd rebuild is expected to gain significant pace, following the exceptional wet season across most of the north. This will ensure high reproduction and marking rates for the core of the nation's breeding herd. .

Southern:

- Southern Australia continues its herd growth in 2023, with NSW the key driver. Into 2024, the southern herd is expected to stabilise and then start declining by 2025.

With the national cattle herd reaching its highest level since 2014 this year, stocking rates in southern Australia, particularly NSW, are at levels well above long-term averages.

Northern Australia will develop its herd rebuild on the back of a very strong wet season generally.

A continuation of female retention (particularly northern Australia) will ensure the rebuild for this region continues, while the breeding herd in southern Australia will reach its highest level in a decade. The longer-term outlook of higher supply is ensured, with the above-average marking rates continuing despite a forecast return to average or below-average seasonal conditions.

The genetic investment producers have made in building a productive, fertile breeding herd during the past three years will contribute significantly to delivering continued high supplies of young cattle into 2024.

As a result of improvements in processing capacity so far in 2023, higher slaughter volumes (which will remain below 10-year averages) and historically elevated carcass weights, beef production is forecast to increase strongly this year.

Despite continued economic challenges in most export markets, the outlook of solid demand for Australian beef remains. While Australia's key supply competitor, the United States, remains in a herd liquidation phase, the long-term outcome of reduced supply in 2024 (when its cattle cycle develops into a rebuild) will provide support and demand for Australian beef across export markets.

As Australian beef remains a mainstay of domestic households and global interest and demand for high quality beef advances, the outlook for Australia's rising production levels is very positive.

Global adjustments in supply from the US in 2024, improved market access as a result of free trade agreements and ever-increasing demand from emerging markets all place Australia in an enviable position to continue to deliver the highest quality beef around the world.

Table 1: Situation and outlook for the Australian cattle industry

	2017	2018	2019	2020	2021	2022	% change 2022 ^e on 2021	2023 ^f	2024 ^f	2025 ^f	% change 2025 ^f on 2022
Cattle numbers ('000 head)*											
As at 30 June	27,965	28,052	26,187	24,621	26,111	27,583	6%	28,700	28,968	29,238	6%
Percentage change	4.0%	0.0%	-7.0%	-6.0%	6.0%	5.6%	-6%	4.0%	0.9%	0.9%	
Slaughtering ('000 head)											
cattle	7,158	7,873	8,482	7,145	6,018	5,849	-3%	6,950	7,600	8,350	43%
calves	413	468	565	414	285	265	-7%	260	256	251	-12%
total	7,571	8,341	9,047	7,559	6,303	6,475	3%	7,210	7,856	8,601	36%
Avg carcass weight (kg)											
cattle	297.6	290.8	283.4	294.3	313.0	320.0	2%	316	312.0	302.0	-6%
calves	45.7	41.3	49.3	48.5	46.6	39.2	-16%	39.4	45.1	45.9	17%
Production ('000 tonnes carcass weight)											
beef	2,130	2,289	2,404	2,103	1,883	1,868	-1%	2,196	2,371	2,563	37%
veal	19	19	28	20	12	9	-24%	19	21	25	175%
total beef and veal	2,149	2,309	2,432	2,123	1,895	1,981	5%	2,215	2,392	2,588	31%
Cattle exports ('000 head)											
	867	1,126	1,304	1,049	772	600	-22%	619	681	750	25%
Beef exports** ('000 tonnes)											
total carcass weight	1,492	1,655	1,807	1,528	1,305	1,380	6%	1,559	1,684	1,790	30%
shipped weight	1,015	1,126	1,229	1,039	888	854	-4%	1,061	1,146	1,218	43%
Domestic utilisation ('000 tonnes carcass weight)***											
total carcass weight	638	635	599	575	578	588	2%	597	627	633	8%
kg/head***	26.0	25.6	24.3	22.8	22.5	22.2	-1%	22.2	22.6	22.8	3%

Source: ABS, DAFF, MLA forecasts

* From 2017 is an MLA estimate based on ABS Data - Figures as of 30th June. Please note, the flock estimates are based off the new EVAO cut off used by the ABS. Previously this was \$5,000 EVAO, but was changed upwards to \$40,000 EVAO. For more information, please visit www.abs.gov.au

f = forecast
e = estimate

** excl. canned/misc, shipped weight

*** Domestic meat consumption is measured by removing the portion of exports (DAWR data) from total production (ABS data) and assuming the difference is consumed (or at least disappears) domestically. Imports are also added to domestic consumption when present. Per capita consumption is calculated by dividing domestic consumption by ABS population data. Please note that domestic per capita consumption is entirely a supply statistic and does not take account of waste or non-food uses of livestock meat products.

Assumptions

Weather

Australia has experienced a wet 24 months. Only parts of south-west WA and western Tasmania have experienced rainfall deficiencies over the past two years. Therefore, it has been concluded that no regions of Australia are currently in drought. The past two years of favourable weather have translated into high grain stores, high soil moisture and lots of available ground water. This will prevent a period of widespread drought-induced stock liquidation throughout 2023 and 2024.

Despite that, May has been drier than usual in southern Australia. However, early rainfall in early June was welcome in Australia's south – the strong front that brought rain to large parts of the eastern seaboard, SA and WA was a welcome relief.

In 2023, the Indian ocean dipole (IOD) will be the dominant climate driver dictating weather conditions for Australia's sheep regions. The IOD is expected to enter a positive phase between June and November. A positive IOD brings higher temperatures and less rainfall to southern Australia. The warmer temperatures associated with the IOD could assist lamb survivability and finish.

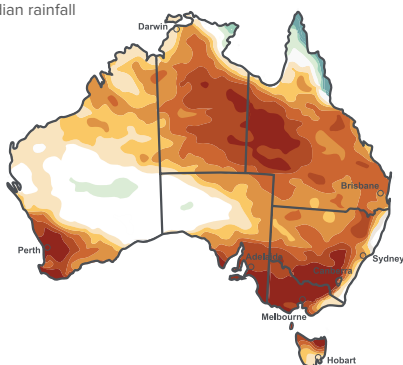
Overall, 2023 is likely to be an average to below-average year in Australia, regarding weather. However, the last three years of seasonal conditions have placed Australia in a favourable position going into the end of 2023 and early 2024.

Figure 1: Australian rainfall outlook – Jul to Sep 2023

Chance of exceeding the median rainfall

Legend

- Above 65% chance
- 60-65% chance
- 55-60% chance
- 45-55% chance
- 40-45% chance
- 35-40% chance
- 30-35% chance
- 25-30% chance
- 20-25% chance
- Below 20% chance



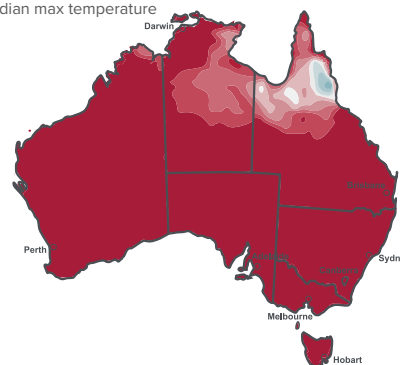
Source: Bureau of Meteorology

Figure 2: Australian temperature outlook – Jul to Sep 2023

Chance of exceeding the median max temperature

Legend

- Above 80% chance
- 75-80% chance
- 70-75% chance
- 65-70% chance
- 60-65% chance
- 55-60% chance
- 45-55% chance
- 40-45% chance
- 35-40% chance
- 30-35% chance
- 25-30% chance
- Below 20% chance



Source: Bureau of Meteorology

Interest rates

Australia's cash rate currently stands at 4.1%, marking its highest level since February 2012. The increase in interest rates will potentially impact business debts and balance sheets.

The Reserve Bank of Australia (RBA) has reinforced its commitment to ensuring inflation sits within its target range of 2–3%, meaning the outlook for further rate rises depends on the economy's ability to slow to the target range.

Exchange rates

As of 7 June 2023, the Australian exchange rate against the US dollar (USD) is 0.67, reflecting a strengthening of the Australian dollar (AUD) compared to earlier in the month.

However, it remains 5¢, or 7%, lower than the rate in January 2022. A higher AUD can impact the competitiveness of Australian meat exports while making imported input supplies more affordable.

The trade weighted index (TWI) currently stands at 64.2, above the March 2022 level of 64.1. The TWI represents Australia's exchange rate against its main trading partners, weighted based on the trade volume with each country.

Inflation

The RBA projected in May that inflation would slow in June to 6.3%. Now, inflation has surpassed that to reach 7%, slightly back on the peak of 7.8% in December 2022.

High inflation rates can lead to a more cautious approach by consumers in their spending habits and has also resulted in increased input costs throughout the supply chain.

The cost of living for food and non-alcoholic beverages has increased by 7.9% annually, with the sharpest increase in fruit and vegetables. Other expenses such as mortgage interest (which has risen 79% annually), housing and health have contributed to these pressures on consumers and supply chains.

With increasing input costs, retail prices have risen. Australian consumers are now more cautious around what they choose to buy at the end of the supply chain, although the rising cost of living is impacting global markets as well.

Supply

Herd dynamics

The herd in southern Australia is significantly higher than it has been in the past 10 years, with above-average stocking rates across most southern states, particularly NSW. It is expected that the solid supply of cattle to market from NSW will continue this year and Victoria to deliver large numbers of weaners in its annual sales in the first months of 2024.

Following the favourable wet season, Northern Australia's rebuild should develop quickly due to its large numbers of breeding females. It is expected this production system will make significant advancements in its rebuild this year.

Looking ahead, improved genetics and a more productive, younger herd will drive higher calving rates and ensure high supply and the continuation of the herd growth well into 2024.

Herd

The national cattle herd has been revised down compared to January's Cattle projections release for 2023, 2024 and 2025, albeit marginally. The herd will reach its highest level since 2014 this year and, in 2025, is expected to hit its highest level since 1978.

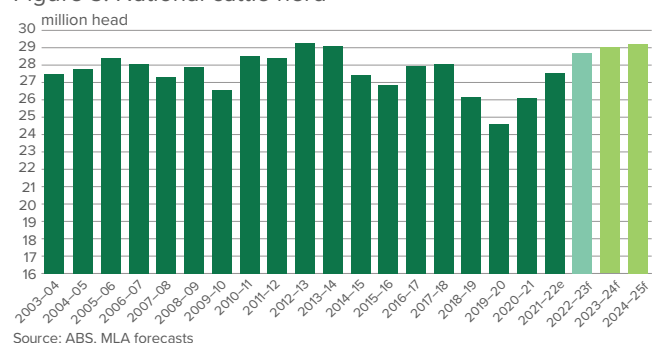
Compared to the January Cattle projections release, 2023 numbers are forecast to reach 28.7 million head, a revision down of 117,000 head. This is due to higher retention rates of cattle on-farm (particularly in northern Australia) and an offset increase in slaughter numbers.

In 2024, the herd is forecast to reach 28.97 million, a revision down of 4% or 376,000 head on January's projections. Again, this is due to higher slaughter numbers and increased retention of stock in northern Australia.

In 2025, the herd will reach its highest level since 1978 at 29.24 million head.

At a state level, NSW's herd will reach its highest level in a decade while Victoria, SA and southern WA will see herd reach levels above long-term averages. For Queensland and northern Australia, the 2022 season and the wet season will continue to drive strong improvements, with a significant lift in supply of stock out of Queensland expected in 2024.

Figure 3: National cattle herd



Slaughter

So far in 2023, slaughter rates have operated well above year-ago levels on a weekly basis.

Processors are continuing to manager higher supplies of slaughter weight stock, with profitability assisting this, this trend is expected to continue for the remainder of the year. Australian Bureau of Statistics (ABS) data confirmed this, with Q1 2023 national slaughter numbers higher by 15% or 203,000 head compared to Q1 2022. Despite Q1 2022 being disrupted due to COVID-19 and flooding, the trend is clear that processing capacity is improving as 2023 progresses.

Slaughter for 2023 is forecast to reach 6.95 million head, a revision upwards of 5% or 325,000 head on January figures. Driving the higher volume this year will be:

- strong numbers of grassfed steer turn-off from key production regions of Queensland, including the channel country
- significantly higher numbers of cast-for-age cows as numbers of breeding females on-farm allow the turn-off of older stock.

In 2024, slaughter has been revised up (compared to the January Cattle projections release) by a further 5% or 376,000 head to 7.6 million for the year. If reached, this figure would be firm on 10-year averages. In 2025, another significant lift in slaughter is expected as the herd begins to decline and larger numbers of cattle reach finished weights, slaughter is forecast to reach 8.35 million head. This slaughter rate is more reflective of the size of the herd at that time.

[Click here to access the MLA's NLRS Weekly Slaughter Report](#)

Carcase weights

In 2022, carcase weights for cattle reached a record high of 320kg/head. However, it is expected that in 2023, carcase weights will decline by 2% to 316kg/head due to an increase in grassfed production reaching market weights.

This trend of decreasing carcase weights is projected to continue, with weights easing further to 302kg/head by 2025. Carcase weights in 2025 will be 5.6% lighter than those in 2022, but 10kg/head above the 10-year average of 292kg/head.

The higher weights in recent years were driven by factors such as a greater number of cattle on feed, favourable pasture and grass conditions and lower female slaughter rates.

A shift is expected in 2024, with weights decreasing due to higher female slaughter rates, a larger proportion of grassfed cattle, and a return to average seasonal conditions.

Consistent weight gains in the last 20 years reflect increased reliance on the feedlot sector and significant genetic improvements made by Australian cattle producers.

This indicates a structural change in the cattle supply chain, supporting the forecast of increased production with sustained high slaughter rates.

Production

Beef production is forecast to reach 2.2 million tonnes (carcase weight) in 2023, following the observed increase in slaughter rates which have remained elevated in the first six months of the year. This represents a 5% increase on 2022 production totals. As cattle numbers continue to increase after the rebuild, production is expected to rise.

Although carcase weights are anticipated to soften in the 2024 forecast, they will remain above the long-term average. Coupled with higher slaughter rates, this will result in production reaching 2.6 million tonnes (carcase weight) in 2025.

While labour continues to be an issue across the entire supply chain, processors are demonstrating an ability to maintain capacity and slaughter rates.

Figure 4: National adult cattle slaughter

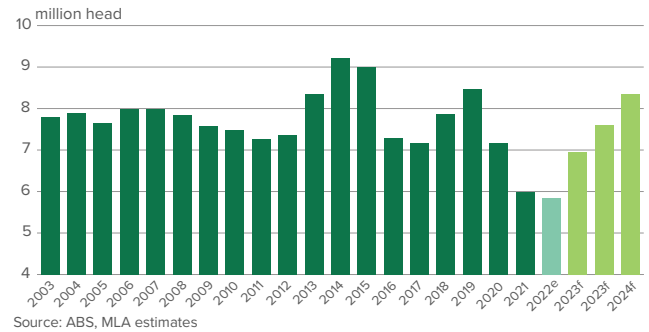
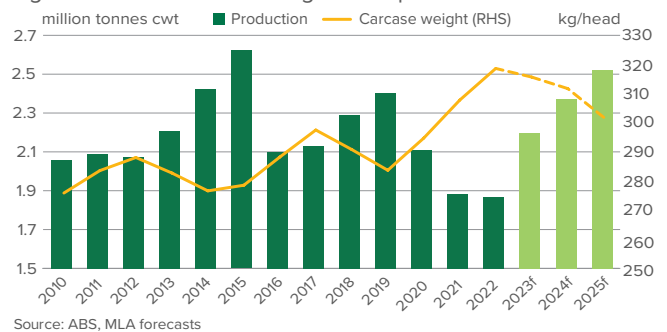


Figure 5: Cattle carcase weights and production



Live export

The live cattle export industry has witnessed a gradual downturn since 2019, reaching a two-decade low for volumes in 2022. However, value remained relatively strong, totalling almost A\$1.3 billion for that year.

This downward trend can be attributed to a unique combination of supply and demand factors that have influenced trade. Notably, elevated Australian cattle prices, persistent effects of the pandemic, the spread of new outbreaks of exotic cattle diseases in key markets, and the more recent emergence of inflationary pressures have all contributed to a challenging environment.

South-East Asia, the key destination, continues to be a highly price-sensitive market, particularly when it comes to pricier food products such as beef. During the period of high Australian cattle prices, cheaper alternatives like Indian buffalo meat gained strength, eroding demand for Australian cattle. Moreover, supply of regional cattle, including Thai cattle, has begun flowing more freely than in previous years. This has intensified competition for Australian cattle, particularly in Vietnam. In addition, alternative sources for live cattle have been under consideration in Indonesia.

However, there have been recent positive shifts in the dynamics influencing the trade, as several factors have shown signs of improvement or alleviation. Australian cattle prices have begun to decrease following a period of escalation, triggered by a prolonged and severe drought that affected the size of the cattle herd. With more favourable weather conditions and increased availability of cattle, the feeder cattle indicator has eased by around 46% since reaching its peak in December 2021 up to the end of May 2023. These current prices make it more viable for importers to consider Australian cattle to meet growing demand for affordable beef.

Relaxation of travel restrictions has presented new opportunities. Consumers have seen some improvements in their economic situation. However, the elevated inflation rate has weighed on the pace of recovery, impacting not only production costs for feedlots and processors but also exerting pressure on consumers' purchasing power. Consequently, consumers have shown a propensity to shift towards cheaper alternative protein sources.

Against the expectation of a slow but building economic recovery, there is an anticipated continuation of improving demand for imported cattle in key markets such as Indonesia and the Middle East North Africa (MENA) region. However, Australian live cattle exports to these markets will continue to face intense competition, primarily from Indian buffalo meat.

Export volumes depend on the continuation of the trend of Australian cattle prices supported by sustained increased supply. It is expected that these factors will culminate in an improvement in trade towards the end of 2023, resulting in a slightly higher volume than 2022. This positive momentum is anticipated to solidify further in 2024, fostering a favourable outlook for the industry.

However, consultation with various industry stakeholders indicates an uplift in export volume of around 12% in 2023 on 2022 levels to around 660,000 head. Recent upticks in Australia's exports to key markets such as Indonesia, Vietnam and China are positive signs of a recovery which is expected to gather momentum over 2023. Fundamentally, Australia's Asian markets present solid long-term growth opportunities for exports due to the rising demand for high quality protein as populations and household incomes grow. This is underpinned by a continued preference for freshly slaughtered beef by consumers.

These countries will see the strongest and most diversified growth in meat consumption globally in coming years, with beef expected to outperform other proteins (Fitch Solutions, FAO-OECD). Competition from IBM, other live cattle suppliers, and cheaper proteins will remain a challenge for Australian live cattle exports in both Asian and the Middle East/North Africa (MENA) markets. However, strong established trade relationships, the positive reputation of Australian cattle with both customers and consumers, and growing demand in Asian and MENA markets will support export recovery as Australia's cattle supply increases and prices ease from 2023 and into 2024.

[▶ Click here to visit MLA's LiveLink interactive Dashboard for export statistics](#)

Global supply forecasts

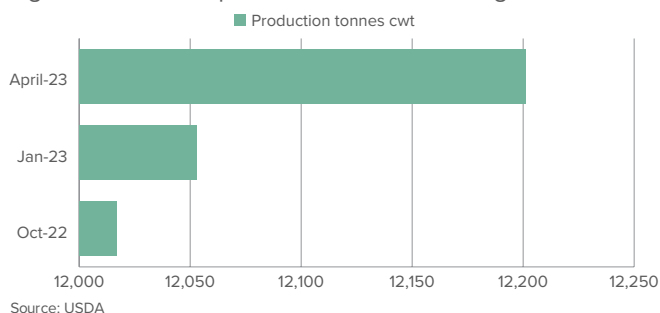
United States (US)

Despite some improvement of pasture conditions in the United States, beef production remained higher than expected in the first half of 2023. This has, in turn, kept American exports higher than expected and led to changes in 2023 forecasts.

In October 2022, the United States Department of Agriculture forecast American exports at 1.39 million tonnes carcass weight (cwe) and imports at 1.52 million tonnes cwe. In April 2023, these forecasts were revised to 1.59 million tonnes cwe and 1.42 million tonnes cwe respectively.

This shift means the global market has slightly more beef available than previously expected. At the same time, high slaughter means that the American herd has likely shrunk beyond what the industry expected, extending the length of time required to rebuild the US herd and therefore, decreasing future supply and inflating demand.

Figure 6: 2023 US production forecast changes



Slaughter

US beef and veal production for the first quarter of 2023 was 3.1 million tonnes – 3% below Q1 2022 levels. Slaughter only fell by 1% over the same period, to 8.3 million head.

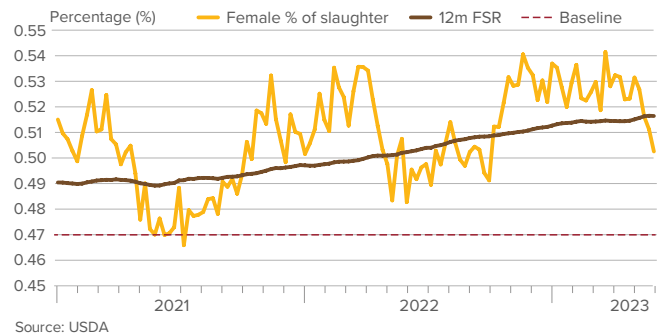
As such, most of the difference between 2023 and 2022 comes down to lower carcass weights, which have fallen by 2% to an average of 374kg cwt.

In January, 14.2 million head of cattle were on feed – 4% below 2022 levels and the lowest level since 2017. Relatively high feed prices have increased the cost of gain for lot feeders, and higher prices for feeder cattle have squeezed lot feeder margins.

Slaughter remains majority female, driving down average carcass weights. The US female slaughter rate for Q1 2023 was 52.6% – well above the long-run average of 47%. Moreover, declines in beef cow slaughter have been replaced by increases in dairy cow slaughter, and the rate of heifer slaughter remains stubbornly high.

Although slaughter is falling, the stubbornly high female slaughter rate indicates that the US herd remains in a destock phase and means that the capacity of the herd to expand is further attenuated.

Figure 7: US Female Slaughter rate (FSR)



Source: USDA

Impact on imports/exports

The US occupies a unique position in the global beef market. As the largest producer and consumer, it largely uses imports and exports to balance consistent consumer demand against cyclical production shifts. This generally means that changes in production have an outsized impact on export volumes.

Given this, the higher-than-expected production volumes have translated to higher-than-expected export volumes. Exports in Q1 fell by 8.6% year-over-year to 250,289 tonnes. This drop is lower than expected; in October 2022, the United States Department of Agriculture forecast a decline of 14% for the year, and most of the decline can be attributable to a very weak January, in which exports fell 17% from 2022.

At the same time, imports have fallen much more than expected. In October, the United States Department of Agriculture import forecast was for a fall of 1% from 2022; for Q1 2023, the actual decline was 7%.

This all means that the United States' international trade balance (exports minus imports) is very close to 2022 levels, at slightly over -40,000 tonnes. A larger deficit would have increased demand globally, especially in Japan and South Korea (major markets Australia shares with the United States as the major supplier).

Looking forward

Undoubtedly, US production this year has been higher than expected. The effect of this in the short term has been reduced demand in the global economy relative to expectations, and thus slightly lower prices than could have been expected.

In January 2023, the US herd was 89 million head (the lowest since 2014) and the beef cow herd was 29 million head (the lowest since 1964). In the longer term, high female slaughter means that the US herd will continue to shrink, lengthening any future rebuilding and limiting US production for the next several years.

[Click here to access MLA's latest North America market snapshot](#)

Global cattle prices

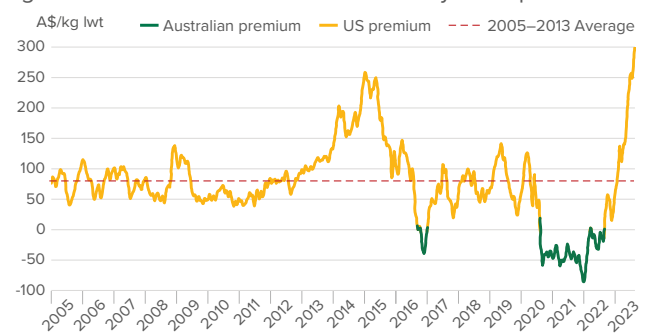
The first half of 2023 saw rapid declines in Australian cattle prices that stand in stark contrast with prices in other major exporters such as the United States and South America. US fed steer prices have reached record peaks, while South American prices have remained consistent, with strong import demand from China underpinning prices despite high inflation in their domestic markets.

Price difference explainer

In late May 2023, the spread between the US fed steer index and the Australian heavy steer index reached A304¢/kg, a new record for the relative gap between the two indexes. Normally running between 50–100¢, large price movements in Australia have driven prices well out of this range since 2020.

The rapid increase in the US premium is due to increases in US prices and the decline in Australian cattle prices occurring at the same time.

Figure 8: US Fed steer – Australian Heavy steer premium



Source: MLA's NLRS, USDA/Steiner Consulting

Although slaughter remains at higher-than-expected levels in the United States, declines in the beef cattle herd have raised questions about future supply among American lot feeders and packers, creating an incentive to secure supply quickly and inflating the price.

The situation is reversed in Australia, with relatively high cattle stocks and a widely held expectation that supply will increase over the next several years.

This dynamic has increased the spread at a fast pace, and in the next several months the US side of the split is likely to continue growing – live cattle futures suggest that prices will continue increasing through to the end of 2023 and into 2024.

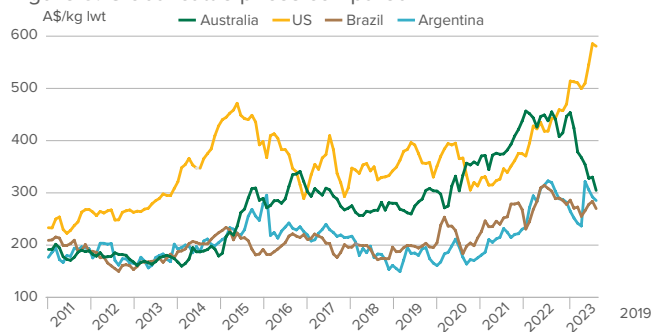
South America maintained (up to now)

The decline in Australian prices has brought steer prices in Australia the closest to South American prices in a decade. Since 2015, a relatively consistent premium between Australian and South American prices has been observed, with Australian prices closer to US prices.

This reflects Australia's advantages in market access, traceability and quality control, alongside a more stable currency than commonly seen in South America. Recent shifts have brought Australian prices much closer to Brazil and Argentina, though still with a slight premium.

There is an equivalent premium for Australian beef over South American beef at the export level, which has not been eroded so far this year. This suggests that the underlying advantage Australian beef enjoys in the international market has been retained, but factors in the Australian market are causing the price declines rather than a fundamental issue with global demand.

Figure 9: Global cattle prices compared



Source: MLA's NLRS, USDA/Steiner Consulting, ESALQ, IPCVA.
Note: Finished cattle (steer) specifications vary between indicators

Cold stocks/herd

Despite the rapid decline in prices observed in 2023, fundamentals in the US market are positive for Australian cattle prices.

The US herd is currently at its smallest since 2014, meaning that shifts in supply in 2014–15 may give us an understanding of how the US market will react in the coming months.

In 2014, after a long destock, production was well below the long-run average and import demand began to rise. This took time, as the amount of beef in cold storage remained relatively high, but by August it had reached a low of 157,000 tonnes and demand for imported product began to rise, reflected in a rise in the 90CL.

The situation today is somewhat different, as cold stocks in April were still above 2014 levels and US production is still relatively high. Additionally, Brazil has entered the US market as an exporter by using the 'all other countries' quota of 60,000 tonnes, which is now routinely filled in the first three months of the year.

As such, cold stocks are likely to remain higher throughout the year compared to 2014. However, the underlying US supply shortfall is still widely expected and is likely to drive demand for imported beef, of which Australia is the only exporter with the market access and supply available to meaningfully satisfy in the short-to medium term.

Price

Market dynamics

So far in 2023, the cattle market has operated as it typically does throughout the first six months of the year.

It's not uncommon for higher turn-off of stock leading into winter to place downward pressure on price. The previous three years have been the exception and it is important to acknowledge these years were outliers.

Continued commentary from MLA's National Livestock Reporting Service (NLRS) across all markets indicate buyers' selectivity based on the above factors is driving price performance.

The demand for future breeding heifers or cows has dissipated significantly compared to this time last year, which is expected.

When considering the lows, the female slaughter rate hit of 42.8% in 2022. The retention of females on-farm and therefore the breeding herd is significantly higher than many first thought, meaning these restocker breeder/female prices have been adversely affected due to higher numbers on-farm, softening market demand.

Finished prices for processor cows and heavy steers continue to perform better than most other categories, indicating improved processor demand and a positive interest from international markets.

▶ [Click here to access MLA's latest saleyard market reports](#)

Price forecasts

In a further expansion of price forecasting delivered by seven industry analysts in MLA's Cattle projections, MLA has included a three-month price outlook to 30 September for both the Eastern Young Cattle Indicator (EYCI) and the Feeder Steer.

A 'shorter term' price outlook has been provided by analysts and aggregated in order to offer industry with insights on the shorter-term market outlook, with current prices softening further than most expected.

Due to the current position of the cattle cycle being in a growth phase, demand for young stock waning and overall slaughter rates and beef production increasing, finished cattle prices are a better reflection of the market conditions at present than young cattle prices.

September forecast

Industry analysts shorter-term price forecasts indicate relative stability in prices to 30 September for both the EYCI and the Feeder Steer (Table 2).

The Feeder Steer at 303¢/kg liveweight (lwt) and the EYCI at 555¢/kg cwt reflect prices that are firm on the indicators current price levels.

Although, as Table 2 indicates, the tighter ranges between the lower and upper limits of both forecasts suggest less volatility is to be expected to the end of September.

Table 2: Industry Analyst Feeder Steer and EYCI Price Forecast to 30 September

Indicator	Current price ¢/kg	10-year average ¢/kg	Lower limit ¢/kg	Average ¢/kg	Upper limit ¢/kg
Feeder steer	306.8 (lwt)	328.9 (lwt)	261.9 (lwt)	302.9 (lwt)	348.0 (lwt)
EYCI	556.5 (cwt)	631.0 (cwt)	470.2 (cwt)	554.6 (cwt)	592.3 (cwt)

Source: Rabobank, NAB, Episode3.net, Mercado, ABARES, AuctionsPlus, Rural Bank

December forecasts

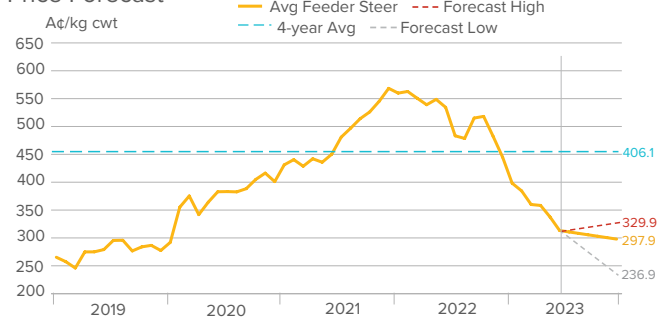
The MLA Market Information Analysts' forecasts to the end of the year indicate a stabilisation in prices relative to the volatile market of 2022 although at forecasted levels to be below longer-term averages for both the EYCI and the Feeder steer.

Based on current rates, analyst forecasts to 31 December are for the EYCI to be 546¢, a 10¢/kg carcass weight (cwt) or 2% decline. If this forecast eventuates, the price would be 13.5% or 85¢ lower than the 10-year average.

Analysts are forecasting the Feeder Steer to fall to 298¢ – this would be a decline of 9¢ or 3% on current prices. Compared to the 10-year average, if this forecast price was realised, the indicator would be 9.4% or 31¢/kg lwt lower.

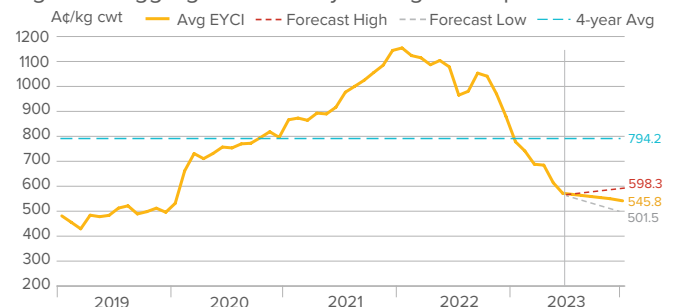
Currently, with lower numbers on feed relative to national capacity continuing to expand, improved feedlot demand may eventuate in order to lift utilisation rates towards the end of this year. This may lead to improved demand for feeder steers; although, it is expected that improved supply of feeder ready animals will be made available, placing downward pressure on significant price improvements. This market dynamic supports analysts forecasts for stable feeder steer pricing to the end of the year.

Figure 10: Aggregated Industry Average Feeder Steer Price Forecast



Source: Rabobank, NAB, Episode3.net, Mercado, ABARES, AuctionsPlus, Rural Bank

Figure 11: Aggregated industry average EYCI price forecast



Source: Rabobank, NAB, Episode3.net, Mercado, ABARES, AuctionsPlus, Rural Bank






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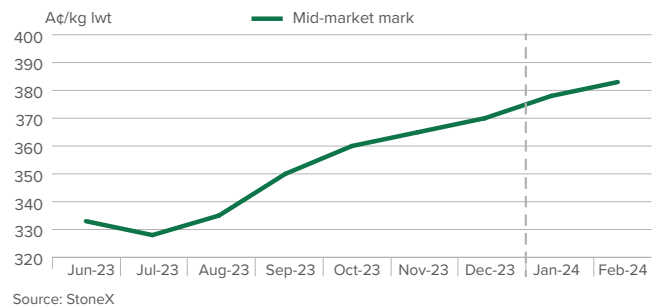
StoneX Feeder Steer Price Forecast¹

The Argus Feeder Steer (spot) Index and the StoneX forward curve (six-monthly outlook) is expecting an improvement in bids by the end of the year. Although offers are forecast to improve stronger, this suggests that the current seller position reflects a desire for higher prices remaining in the market for 2023.

Currently, the Argus Feeder Steer in June 2023 is assessing prices at 330¢/kg lwt while the StoneX forward swaps curve is forecast to strengthen gradually over coming months as spring approaches, with bids to reach 365¢/kg lwt by December 2023.

This outlook does reflect an improvement in prices that are transacted under this model towards the end of the year, although its outlook differentiates from industry analysts continual softening in the EYCI and Feeder Steer to 31 December 2023.

Figure 12 StoneX Feeder Steer Index Price Forecast – 2024



Source: StoneX

Looking ahead

The national herd will continue to grow, with southern Australia's herd growth stabilising to the end of 2023.

Northern Australia presents the biggest area of increase in numbers due to the substantial size of its breeding herd base and the exceptional seasonal conditions most parts of the north have experienced over the last 12 months.

Calf marking rates will continue to remain high, driving the continuation of the herd's growth, while numbers of young and finished cattle will present to market in increasing numbers for the remainder of the year.

This increase in slaughter-weight animals will support the outlook for a 5% increase in slaughter numbers – however, processors' ability to deal with these numbers based on carcass profitability, as well as the labour constraints continuing to affect the sector, will determine overall output.

A return to average or below-average seasonal conditions for the country is likely to eventuate, although on-farm subsoil moisture profiles, historically high below and above-ground water storages and grain availability ensures the industry is well positioned to cope with changing seasonal conditions.

The quality and finish of cattle presented to market will continue to dictate price performance, as the market is expected to operate for the remainder of the year at price levels consistent with 10-year averages.

The remainder of 2023 is expected to see continued improvements in both supply of cattle and beef to market as slaughter rates increase. Placing Australia in an enviable position to capture adjustments in the global market place moving into 2024 with market access, supply adjustments to key competitors and a continued strong domestic market.

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