

Industry projections 2021

Australian cattle – July update

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KEY POINTS

- Average adult carcass weights to rise significantly due to improved seasonal conditions
- Slaughter numbers decline due to continued tight supply
- Production to decline despite higher carcass weights



KEY 2021 NUMBERS

- ↓ **Slaughter:** 6.3 million head
- ↑ **Carcass weights:** 311.7 kg/head
- ↘ **Production:** 1.96 million tonnes cwt
- ↘ **Beef exports:** 935,000 tonnes swt

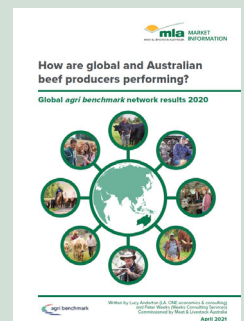
* Graphic illustrates year-on-year change

How are global and Australian beef producers performing?

In recent years, faced with some of the most severe drought and flood conditions ever experienced, Australian cattle producers showed typical resourcefulness – remarkably remaining profitable and efficient. This is the assessment of *agri benchmark*, a farm productivity-focused global network, in its 2020 Australian report commissioned by Meat & Livestock Australia (MLA).

This report presents the *agri benchmark* network's perspectives on recent global beef developments, the economics and drivers facing producers around the world, farm profitability (globally and in network countries) and views on likely future developments and challenges.

[Click here to view the 2020 *agri benchmark* report](#)



Summary

Currently, there is an abundance of feed that is encouraging stock retention. This tight supply is being reflected in lower saleyard throughput, reinforcing that the national herd rebuild is well underway.

With a strong spring and positive three-month weather outlook, carcass weights over 300kg are forecast for 2021. Record high cattle prices are also contributing to higher carcass weights, as they incentivise producers to add additional weight onto their animals. Carcass weights have been revised 11kg higher to an average of 311.7kg for 2021.

Slaughter will remain depressed, with the 2021 volume expected to hit 6.3 million head. Higher carcass weights will slightly offset the forecast fall in slaughter, resulting in production of 1.96 million tonnes carcass weight (cwt).

Due to the high livestock market, live export forecasts have been revised lower to 720,000 head in 2021. Record prices and the tightened supply ensure virtually all destinations in 2021 will be affected. Northern feeders to Indonesia are expected to be less impacted, with the nation expanding the specifications it takes to include heavier animals that require less days on feed.

The current global trade environment is quite different to how it was pre-pandemic for several reasons. Argentina, a key supplier to China, has recently re-emerged from a self-imposed month-long ban on beef exports, with further self-imposed restrictions to apply in the short-to medium-term. Australian beef exports to China have been lower this year, as trade relations between the two countries remain strained. In the meantime, the US is increasing its production and exports, especially exports to China as a trade agreement between the two nations is in its first stage.

Table 1: Situation and outlook for the Australian cattle industry

	2016	2017	2018	2019	2020	2021 ^e	% change 2021 ^f on 2020 ^e	2022 ^f	2023 ^f	% change 2023 ^f on 2021
Cattle numbers ('000 head)*										
cattle	26,845	27,965	28,052	26,187	24,621	26,046		27,223	28,039	8%
percentage change	-2.1%	4.2%	0.3%	-6.6%	-6.0%	6%		4.5%	3.0%	
Slaughterings ('000 head)										
cattle	7,288	7,158	7,873	8,482	7,171	6,300	-12%	6,850	7,350	17%
calves	542	413	468	565	415	375	-10%	422	440	17%
total	7,830	7,571	8,341	9,047	7,586	6,675	-12%	7,272	7,790	17%
Average carcase weight (kg)										
cattle	288.2	297.6	290.8	283.6	294.8	311.7	6%	311.8	314.9	1%
calves	53.9	45.7	41.3	43.0	48.7	50.9	5%	49.5	51.0	0%
Production ('000 tonnes carcase weight)										
beef	2,100	2,130	2,289	2,405	2,111	1,964	-7%	2,136	2,315	18%
veal	29.2	18.9	19.3	24.3	20.2	19.1	-5%	20.9	22.4	17%
total beef and veal	2,130	2,149	2,309	2,430	2,131	1,983	-7%	2,157	2,337	18%
Cattle exports ('000 head)										
cattle	1,142	867	1,126	1,304	1,010	720	-29%	840	950	32%
Beef exports** ('000 tonnes)										
total, carcase weight	1,497	1,492	1,655	1,807	1,528	1,374	-10%	1,558	1,727	26%
total, shipped weight	1,018	1,015	1,126	1,229	1,039	935	-10%	1,060	1,175	26%
Domestic utilisation ('000 tonnes carcase weight)***										
total, carcase weight	614	643	639	616	586	585	0%	580	590	1%
kg/head****	25.2	26.0	25.6	24.3	22.8	22.7	0%	22.3	22.6	0%

Source: ABS, DAWR, MLA forecasts

* From 2016 is an MLA estimate based on ABS Data - figures as of 30th June

** excl. canned/misc, shipped weight

*** Beef and veal production plus imports, less exports of beef and veal and canned/processed beef, carcase 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.

f = forecast
e = estimate

Assumptions

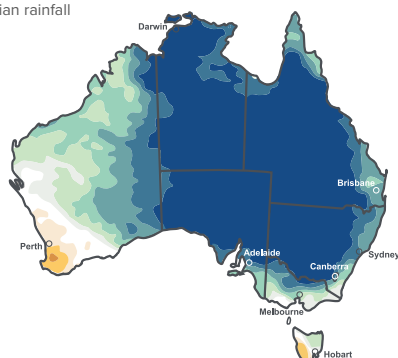
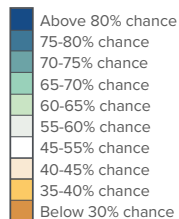
The Bureau of Meteorology (BOM) is forecasting wetter seasonal conditions across all of Australia, especially for the eastern and northern regions where the majority of the national herd is located. In the period through to October 2021, only Tasmania is expected to receive below median rainfall. According to BOM, there is an 80% probability of wetter conditions eventuating.

These conditions will continue to underpin the national herd rebuild that is already underway. The season is expected to provide producers with further surface water, soil moisture and pasture growth.

Figure 1: Australian rainfall outlook – Aug to Oct 2021

Chance of exceeding the median rainfall

Legend

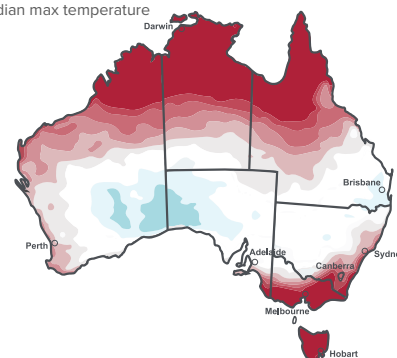
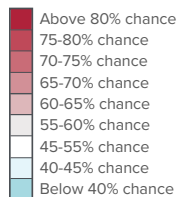


Source: Bureau of Meteorology

Figure 2: Australian temperature outlook – Aug to Oct 2021

Chance of exceeding the median max temperature

Legend



Source: Bureau of Meteorology

COVID-19

The impact of COVID-19 has devastated the global economy, shaving nearly 4% of global GDP in the past 18 months. This has had an impact on most agricultural commodities, including beef. However, in 2021 many countries successfully rolled out vaccination programs, allowing for eased restrictions and a pick-up in international travel, foodservice and retail.

Australia continues to battle the virulent Delta strain, with lockdowns and restrictions occurring in Brisbane, Sydney and Melbourne in July, which significantly cost the economy. Australia's vaccination rate is currently 13.6%, trailing countries like the UK and the US at 50% and 56%, respectively. However, Australia's rate is expected to climb as it receives more of the Pfizer vaccine.

Encouragingly, the global economy is expected to grow more than 5% in 2021, translating to increased demand for Australian red meat, although this is dependent on significant progress against the virus.

Exchange rate

In late 2020, the Australian dollar appreciated 40% on March 2020 levels, affecting the competitiveness of all Australian exports and processor margins.

After hitting US79.7¢ in February, the Australian dollar has fallen back below 75¢, sitting at 73.7c on 27 July. This drop in the A\$ is making Australian exports more competitive.

Global inflation

In its June update, the World Bank outlined concerns regarding global inflation increasing the food costs in many countries. The impact of high inflation was highlighted by the Argentinian Government's decision to ban beef exports. The rationale behind the ban was to ensure there was more beef available in Argentina's domestic market, reducing the cost of beef for local consumers.

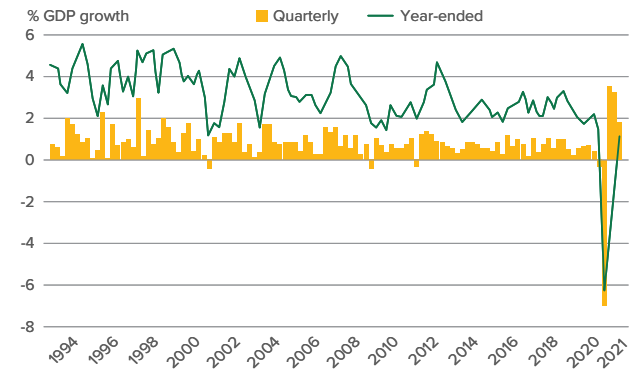
Grain prices

Global feed grain prices have skyrocketed in recent months, driven by the Canadian and US drought, which is expected to see some crops yield 20% of their average harvest.

The increased use of corn in industrial alcohol production for hand sanitiser has also pushed up the price of global grains. The high grain prices are putting input cost pressures on the US feedlot sector and China's poultry and pig industries, which may impact production of these proteins.

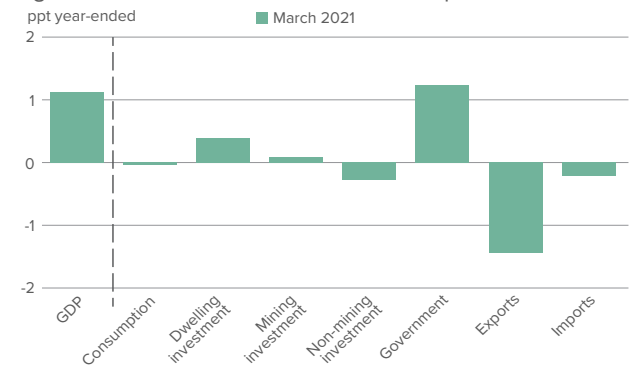
Australia is expecting strong cropping yields again in 2021, provided the impact of the mouse plague can be subdued, leading to lower grain input costs for the foreseeable future.

Figure 3: Australian GDP



Source: ABS and RBA

Figure 4: Drivers of Australian economic performance



Source: ABS and RBA

Figure 5: US/AU exchange rate



Source: RBA, NAB, ANZ, CBA, Westpac



[Click here to visit MLA's dashboard for weekly delivered Australian grain quotes](#)

Since previous release in April:

Herd

The predicted national herd level for 2021 remains unchanged, still estimated to reach 26 million head this year, 5% above 2020 levels. The herd rebuild has continued as positive conditions encourage producers to retain stock for breeding purposes. This is expected to continue, with a positive three-month weather outlook across most of the country.

Slaughter

Slaughter has been revised slightly lower to 6.3 million head in 2021, the lowest level in 35 years on the back of supply shortages that show no signs of easing. Estimates indicate that close to 3 million head have been killed in the first six months of 2021, with slaughter in the second half of the year expected to pick up slightly as more cattle come off feed. Typically, slaughter rises in the later stages of the year.

Carcase weights

Carcase weights have been revised 11kg higher to average 311.7kg in 2021, on the back of much improved seasonal conditions. The improved conditions translated into higher March quarter weights that are expected to remain elevated for most of the year.

As buy-in prices for cattle are so high, producers are maximising \$/head returns by adding additional kilograms to make a margin while there is feed. A higher-than-average proportion of animals on grain are also contributing to the higher average carcass weights, as grainfed animals are typically fed to heavier specifications compared to grassfed animals.

Production

On the back of improved carcass weights, production has been revised higher despite slaughter declining slightly. Total production is forecast to be 1,964,000 tonnes cwt, highlighting Australia's ability to maximise beef output despite low supply.

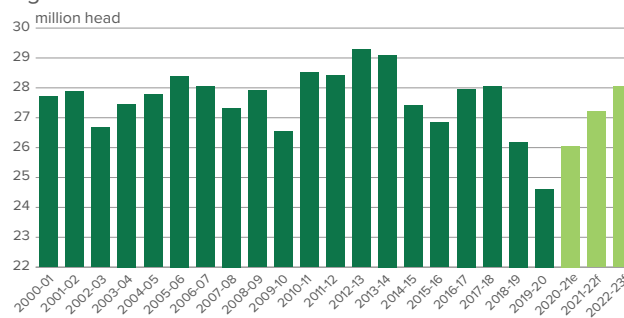
Live export

The outlook for the second half of 2021 is somewhat more challenging than expected, resulting in a moderate revision down of live cattle exports from 750,000 to 720,000 head. Ongoing tight supply and sustained record high prices are the main drivers of this revision, as these impact virtually all markets.

Northern feeder cattle exported to Indonesia are expected to fall less than most other markets, as some importers have become more willing to accept a broader (heavier) specification of cattle, including a proportion that require less time on feed. The additional consequences of more virulent COVID-19 strains on both supply chain disruptions and demand are forecast to be significant in the key South-East Asian markets of Vietnam, Indonesia, the Philippines and Malaysia.

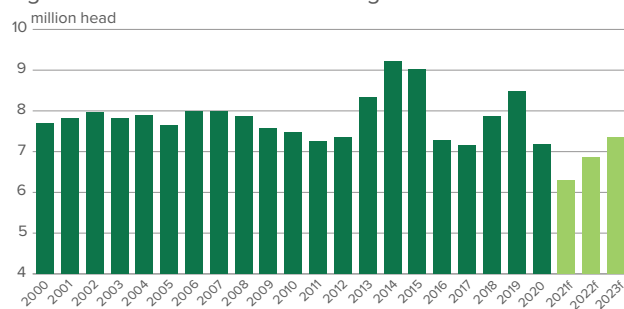
Chinese demand for breeders is expected to fall in the face of high prices and following several years of sustained imports of both beef and dairy breeders.

Figure 6: National cattle herd



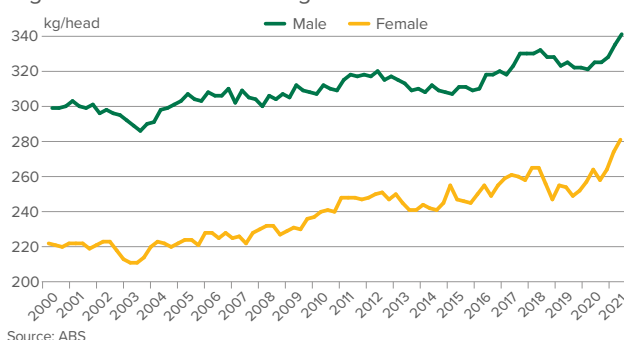
Source: ABS, MLA forecasts

Figure 7: National adult cattle slaughter



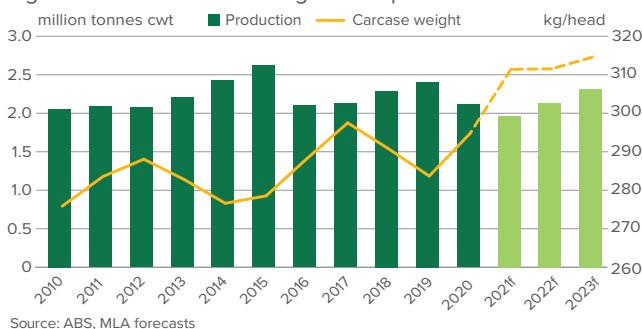
Source: ABS, MLA estimates

Figure 8: Adult carcass weights



Source: ABS

Figure 9: Cattle carcass weights and production



Source: ABS, MLA forecasts

The live export trade is more challenging than ever, due to a combination of increased regulatory burdens, more competition from cheaper alternatives, higher cattle, oil and Australian dollar prices weighing heavily on margins.



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

Key and emerging issues

Trade and market access

Changing market access conditions are shaping current global beef markets and have the potential to shift trade flows into the future. Nowhere are these forces more evident than in China – comfortably the world's largest imported beef market.

Several Australian beef export establishments had their access to China suspended in 2020 for a range of technical reasons. Their lack of re-entry has underpinned a 40% year-on-year decline in exports to the market in the first half of 2021. More recently, in an attempt to arrest beef price inflation, Argentina has self-imposed a 50% cap on beef exports (compared to a Jul–Dec 2020 monthly average baseline) through to the end of August and prohibited the export of select cuts popular on the domestic market.

These export controls will mostly affect the China market. Argentina was reliant on China for 76% of exports in 2020 and was China's second largest supplier of imported beef.

While Australia and Argentina are facing trade friction into China, growth in US beef shipments to the market are booming, thanks to the gains secured via the US-China Phase-One Agreement. Chinese imports of US beef over the Jan–May period increased nine-fold year-on-year, to 41,600 tonnes shipped weight (swt) – making the US the sixth largest supplier to the market.

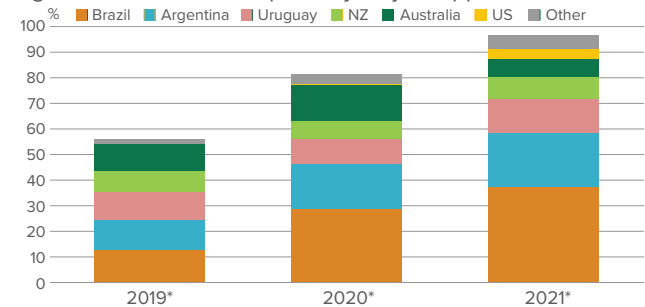
Changing access from three beef heavyweights has potential to reshape the competitive landscape in China. However, Australia, Argentina and the US export different cuts and varying levels of quality, making a like-for-like shift in trade more difficult. Moreover, Australia still dominates the high value imported chilled beef market, where it maintains a competitive advantage. Nevertheless, changing access will continue to heavily shape China's beef import market.

Positive developments for Australian beef exports are also underway in the United Kingdom and European Union via progress in concurrent trade agreement negotiations. While not affecting the immediate outlook, once concluded, these two agreements will underpin future high-value opportunities for Australian beef exports in what have previously been very restricted markets. Recent progress in the A-UK FTA negotiations culminated in the July announcement of an agreement in-principle, outlining tariff and quota/safeguard free access for Australian beef exports following a 15-year implementation period. Meanwhile, Australia and the European Union recently concluded the eleventh round of trade agreement negotiations.

Global demand outweighs supply

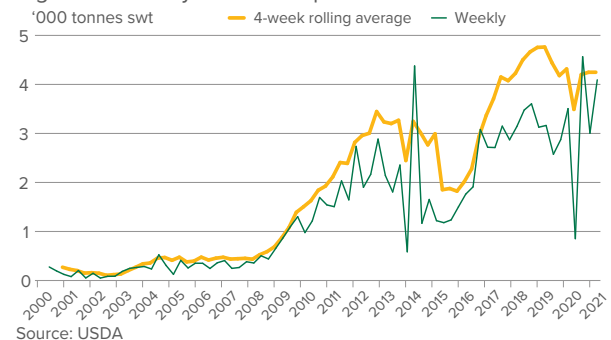
An ongoing African Swine Fever (ASF) induced protein shortage in Asia and resurgent demand in many developed markets is shifting the international beef landscape. This, on top of restricted export supply from key players, such as Australia, Argentina and Brazil, has triggered a rise in global beef prices, despite major ongoing challenges with managing COVID-19 in key developing markets.

Figure 10: China beef imports by major supplier



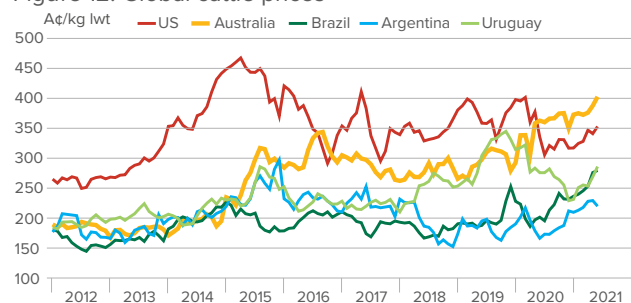
Source: IHS Markit, China Customs *Jan to May

Figure 11: Weekly US beef export to China



Source: USDA

Figure 12: Global cattle prices



Source: IPCVA (Argentina); MLA's NLRs (Australia); Esa/q/Cepea (Brazil); INAC (Uruguay); USDA/Steiner Consulting Group (US). Finished cattle (steer) specifications vary between indicators.

While Australian prices are primarily being driven by local restocker and feeder demand, these global dynamics are also bolstering Australian prices, reducing the chance of a significant correction. Unfortunately, Australia, facing considerable seasonal supply limitations, has experienced greater price rises, compared to its competitors.

The US is a key player in the beef trade and its economy has improved significantly on the back of a successful vaccination rollout and an unprecedented economic stimulus package. The government support is helping fuel strong demand for beef through retail, especially over the US summer grilling season, and a recovery in foodservice sales. The US herd rebuild appears to have peaked, with drought fuelling a current liquidation of the cow herd, mitigating some of the shortfall of imported lean beef supplies from Australia and New Zealand.

Possible implications of this include:

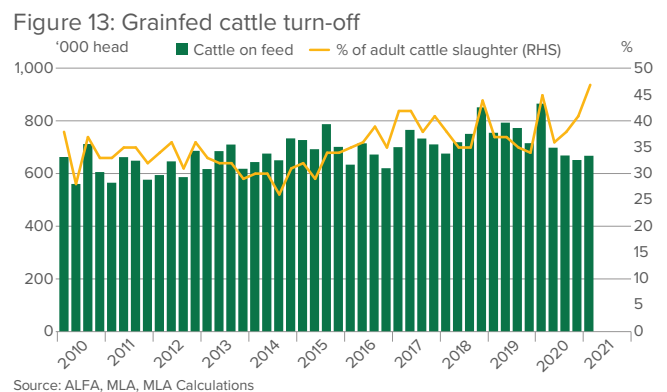
- The US could continue to increase penetration in premium Asian markets as seen recently in 2021 and displace some of Australia's product.
- The US drought could lead to cow liquidation, likely reducing imports to the US.
- Brazil and Uruguay may look to offset decline in Argentine exports.

Higher proportion of grainfed cattle

The national herd rebuild is resulting in more producers retaining cattle for breeding purposes. Therefore, there are less cattle, especially grassfed cattle, being sent to slaughter.

While both grassfed and grainfed slaughter volumes have dropped in 2021, grainfed cattle are now making up an increasing proportion of total cattle slaughter. The MLA/ALFA [March quarter feedlot data](#) revealed that grainfed cattle made up 47% of slaughter and 51% of domestic consumption. As expected, the proportion of grainfed export has also risen considerably, particularly in the past 12 months.

Less females in the grassfed kill have supported the balance shifting towards grainfed. Higher proportional feedlot activity has helped to ensure more consistent supply to processors in a low supply environment. Until more grassfed cattle hit the market, the dynamic isn't likely to shift significantly, especially if positive seasonal conditions persist. While this is the case, feedlots will maintain strong demand for cattle, especially if international demand is stronger than supply can cater for and input costs are lower due to stronger cropping yields across key production areas.



Labour shortages

Australia is currently experiencing a chronic labour shortage due to COVID-19 limitations on travel and inbound migration, reducing Australia's agricultural workforce. In 2019–20, migration was down 7.4%, continuing into 2020–21. The shortage is more pronounced in regional Australia. To address this, the government recently implemented a scheme offering \$6,000 for people who relocated to regional Australia for a job.

Compounding the general regional labour shortage for the processing sector is the specialist nature of many jobs in the processing industry. Some sources estimate that there is currently a shortage of up to 4,000 jobs in the meat processing sector.

Slaughter is forecast to drop this year on the back of the national herd rebuild as producers retain more stock. Processors' difficulty sourcing labour is also a contributing factor to the reduced slaughter throughput, as some plants work less days but remain in business to keep staff employed.

International markets

With tight supply and high prices currently affecting Australian exports, Australia's share of imports in key markets has fallen over the past year, particularly in the US and China.

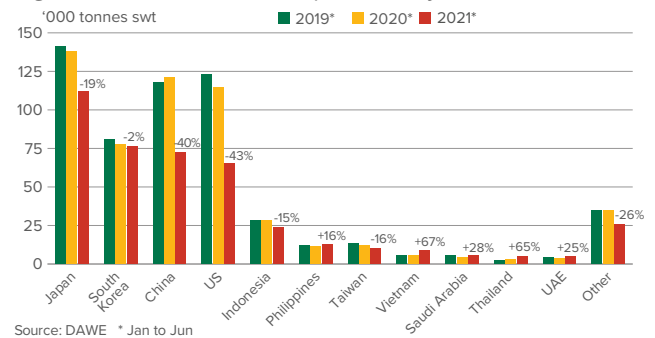
Until Australian supply constraints ease in 2022, competitors such as the US are expected to continue to fill some of the gap, particularly in Asian markets. In addition, the US is expected to have a sustained period of increased exports due to drought-induced higher slaughter.

Economic growth rates are forecast to gradually lift, supported by improving COVID-19 vaccination rates in developed markets and good control and recovery in China, supporting global beef consumption and import demand. However, new COVID-19 variants will continue disrupting beef trade and sales in many Asia-Pacific nations.

Rising oil prices, a high Australian dollar and inflated shipping and air freight rates have added cost pressures on exporting. Higher global grain prices are also weighing on grainfed production systems. That said, demand for premium Australian red meat is expected to remain firm among affluent global consumers, particularly at retail but also as dining out frequency recovers.

January to May year-to-date data and trends for the top five export markets are shown in Table 2 and Figure 15, with a detailed feature on the Korean and United States markets following. Other key markets will be highlighted in future beef projection releases.

Figure 14: Australian beef exports to key markets – volume



Source: DAWE * Jan to Jun

[Click here to visit MLA's Red Meat Export Dashboard for more in depth insights](#)

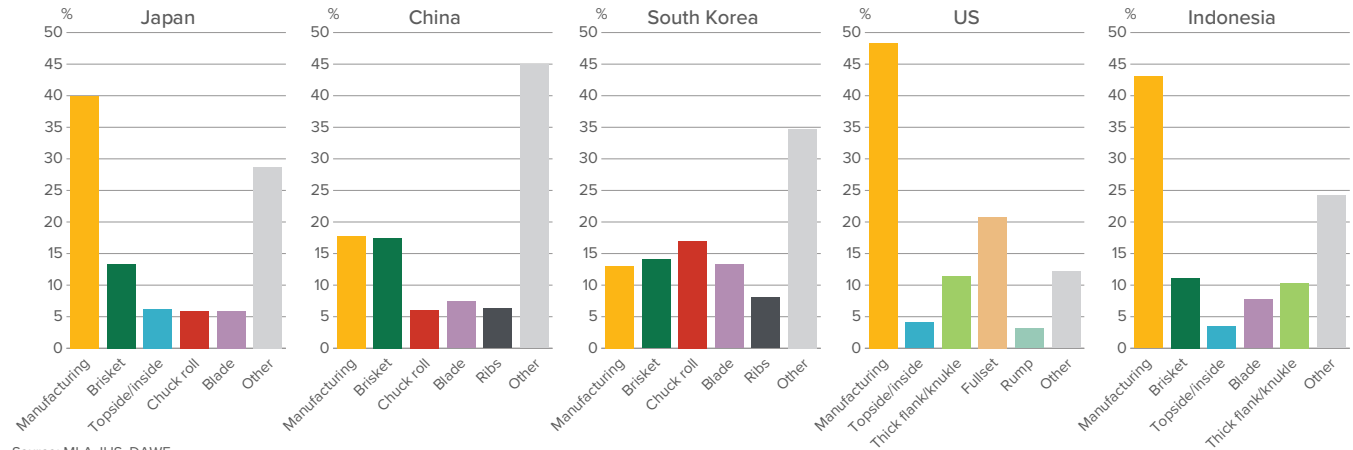
Table 2: Major export market summary

	Tonnes swt 2021 Jan to May	YOY % change 2021 Jan to May	Top five cuts volume 2021 Jan to May tonnes	Top five cuts % share	Grassfed 2021 Jan to May tonnes	Grainfed 2021 Jan to May tonnes	Export values 2021 Jan to May AU\$	Australian beef/total imported beef by market by quantity - Jan to May		
								2019	2020	2021
Japan	90,891	-21.73%	64,829	71.33%	42,358	48,529	712,815,945	48.28%	43.78%	42.29%
China	60,385	-42.06%	33,229	55.03%	34,000	26,384	638,053,843	18.26%	16.96%	7.03%
South Korea	63,701	1.92%	41,597	65.30%	36,505	27,191	593,509,635	43.27%	39.68%	38.55%
United States	53,117	-39.93%	46,668	87.86%	51,318	1,752	545,152,470	22.73%	20.97%	11.99%
Indonesia	19,114	-17.98%	14,490	75.81%	18,210	904	137,996,994	50.40%	76.48%	56.98%

Source: MLA, IHS, DAWE

Note: YOY% change is the accumulated year to date % change. It is calculated as: (sum of export quantity from 2021 Jan to May/sum of export quantity 2020 Jan to May)-1

Figure 15: Top cuts by key markets – percentage of total volume



Source: MLA, IHS, DAWE

[Click here to learn more about specific cuts of a beef carcass and their use](#)

Korea

Korea has maintained its position as one of the top three largest destinations for Australian beef exports, along with Japan and China, despite being a much smaller market in terms of population size (approximately 51 million people). This reflects Korea's high and expanding per capita beef consumption and low domestic beef supply. In fact, Korea has the highest per capita beef consumption in Asia at approximately 13kg per head, compared with Japan's 10kg per head or China's 6kg per head. Korea depends on imports for about 63% of its beef supply, of which Australia accounts for 38%*.

Beef remains the fastest-growing category among major proteins, growing at 4% per year on average in the past 10 years, compared with 3.5% for chicken, 2.6% for pork and 0.1% for fish*. The country's strong economic performance, coupled with increasing consumer preferences for beef and the rapidly expanding foodservice sector, has driven a healthy growth in beef demand. Beef is a favourite meat in Korea, widely consumed in both the home and restaurants.

*As of 2020, source: OECD-FAO, IHS Markit, Korea Meat Trade Association, The Buyer.

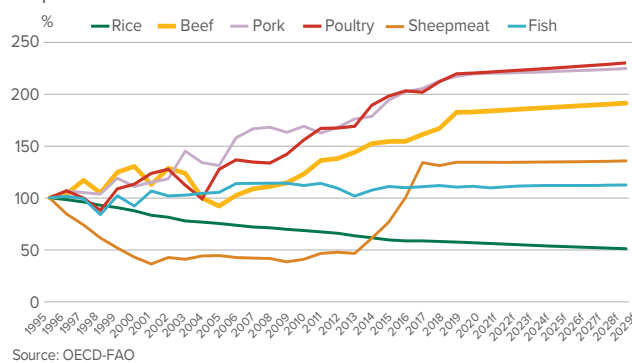
Beef has many strong associations for the Korean consumer, especially those that influence their decision-making when buying meat, including nutritional value, delicious taste and superiority.

Beef demand has grown steadily despite the COVID-19 outbreak and its subsequent impact to the foodservice industry due to increased in-home consumption. Korea's sophisticated supply chain infrastructure and advanced digital technology sector have been the backbone of retail and foodservice operators' success in meeting the rapid rise in demand for on/offline retail and online foodservice.

In addition, Korea is also among the top three export markets for Australian beef offal products, along with Indonesia and Japan. Beef offal is famous in Korea and mostly consumed through the foodservice sector, particularly in restaurants specialising in offal dishes. While long-term demand remains firm, recently declining trends in export volume more likely reflect the enhanced inspection requirements for intestine products, recently introduced as part of the government's efforts to maintain food safety, rather than a reduction in consumer demand.

COVID-19 has undoubtedly impacted consumers' spending behaviours, with many becoming more price-conscious due to economic uncertainty. However, the outlook for Australian beef exports to Korea throughout the rest of the year is positive on the back of improved consumer sentiment and the gradual recovery of the foodservice sector, partly supported by ongoing COVID-19 vaccinations.

Figure 16: Per capita consumption growth index by major staple food



[Click here for MLA's Korea snapshot to learn more about its beef market](#)

US

The United States typically places among the top three export destinations for Australian beef. However, there have been significant declines in export volumes in 2021, with exports decreasing 46% in Q1 compared to the same period a year ago. This has resulted in a shift in market rankings, with the US dropping to fourth in the year-to-May, trailing Japan, China and South Korea.

More than 90% of Australian beef exported to the United States is grassfed beef, which is primarily manufacturing beef going into the foodservice channel, particularly Quick Service Restaurants (QSR). The largest decline (-49%) of exports has been in frozen grassfed product (especially manufacturing beef). Chilled grassfed exports have also decreased but to a much smaller degree (-12%).

Declines in beef exports to the US have been led by the downturn in the US foodservice industry as a result of COVID-19. Restaurant and other foodservice industry sales fell by \$240 billion in 2020, with more than 110,000 eating and drinking establishments closed for business temporarily or permanently (Midan report Q4 2020). In contrast, retail grocery sales have increased, with grassfed beef sales in retail outlets growing two to three times faster than total beef. In some regions like the Midsouth and Greater Lakes area, grassfed beef sales reached 70–80% growth in 2020 compared to 2019.

- General consumer trends in the United States:
 1. 76% of consumers are still concerned about their financial situation (GlobalData Q2 2021), with 33% following a strict budget (Mintel).
 2. 42% of Americans have continued or increased their frequency of cooking at home (GlobalData Q2 2021).
 3. A big shift in consumer preference for sustainability has been reported, compared to pre-COVID. In Q2 2021, 71% of Americans found sustainable products appealing and 76% supported local products and ingredients (GlobalData Q2 2021).

[Click here for MLA's US snapshot to learn more about its beef market](#)

Domestic demand

The domestic market is the largest single market for Australian beef production, consuming around 25% of total production. Demand for beef remains strong, with more than 80% of Australian households purchasing beef from retail outlets in Q2 2021 (Nielsen Homescan Q2 report). Beef remains the preferred fresh animal protein type, with the highest value share in retail markets.

Overall, the fresh meat category has shown a slight dollar decline in Q2 2021 compared to the same period in 2020. This reflects the increased sales last year as a result of panic buying during the initial COVID-19 lockdown. In contrast, 2021 sales are up on the same period in 2019 (pre-pandemic). Beef follows the same trend in value, and has also contributed the largest growth of total fresh meat sales compared to 2019.

Beef maintains the highest value share in the fresh meat category in retail channels. Compared to 2020 and 2019, shoppers are shopping less frequently at retail in 2021, but are spending more. MLA expects this trend to continue for some time.

In the past two years, significant movements in the retail channel split have occurred. During the height of the pandemic in 2020, butchers increased their share of trade (compared to the same quarter the previous year), with a higher proportion of premium cuts such as prime steaks and also pre-prepared beef. However, in 2021, Non-supermarkets (inc Butchers) have lost some share of trade and to Q2, their share is now back to levels lower than the same quarter in 2019 before the pandemic. Supermarkets have maintained their share of trade for the same quarter, relative to 2019 levels.

Mince remains the largest beef cut sold, accounting for a third of retail sales. Most beef cuts declined in volume compared to year-ago levels, however, eye fillet and sirloin volumes have increased despite prices also increasing.

MLA's calculations are based in part on data reported by NielsenIQ through its Homescan Service for the Fresh Meat category for the 12-week period ending date, for the Total Australia Grocery, channels, according to the NielsenIQ standard product hierarchy. Copyright © 2021, Nielsen Consumer LLC.

Prices

Current market conditions

Moving into the second half of the year, traditionally cattle prices are not expected to reach yearly highs, but 2021 continues to defy expectations. Rain events remain the key indicator of market performance, other than unique sale volume fluctuations.

In July 2021, the Eastern Young Cattle Indicator (EYCI) was 242¢/kg cwt. Currently, the EYCI has risen that amount in 12 months, appreciating by 25% to reach 1003¢/kg cwt on 22 July. The aggregated industry price forecast (The aggregation of leading industry participants forecast of the EYCI, its upper range and lower range price as at 31 December 2021) forecast the EYCI falling away from current record levels to 874¢/kg cwt by the year's end.

Competition at selling centres has been heated between feeder and restocker buyers, with the Eastern States Feeder Indicator also rising by 117¢, or 30%, to sit at 503¢/kg lwt. Feeder buyers continue to be active with orders to fill. This has fuelled feeder buyers to compete with the restockers and place upward pressure on prices across the young cattle market.

In line with the astronomical lift in young cattle prices, the National Medium Cow Indicator has risen 50¢ year-on-year, or 20%, to sit at 308¢/kg lwt, with the National Heavy Steer Indicator up 79¢, or 22%, to sit at 429¢/kg lwt.

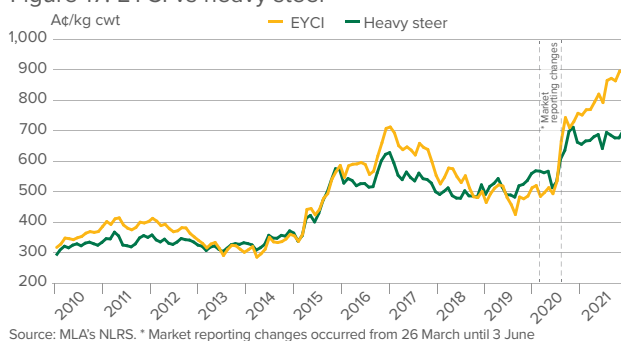
Looking ahead

Cattle producers, particularly in NSW, are expected to experience the best spring in recent memory. This will support ongoing restocker interest due to the great availability of feed and ensure the market for young cattle remains buoyant.

Globally, as economies continue to recover from COVID-19, demand for Australian beef should also improve. This will ensure feeder buyers remain prevalent at selling centres.

Young cattle prices are expected to remain favourable, supported by the seasonal forecast and growing export demand.

Figure 17: EYCI vs heavy steer



Source: MLA's NLRS. * Market reporting changes occurred from 26 March until 3 June

Figure 18: Aggregated industry average EYCI price forecast



Source: MLA, Rabo Bank, ABARES, TEM, Mecardo, NAB, AuctionsPlus

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