Lot feeding brief

Results for the September quarter 2022 feedlot survey

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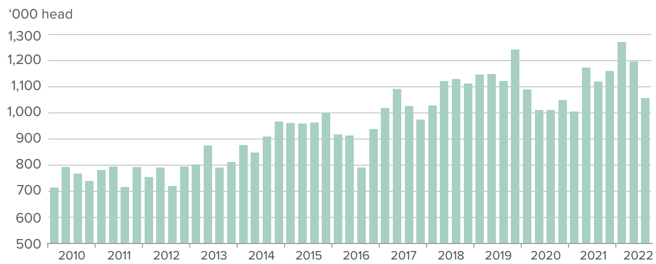
Summary

- In the September quarter, numbers on feed remained above 1 million head at 1,056,056 head.
- In a definite sign of longer-term confidence in the lot feeding sector, national capacity broke new ground to reach 1.51 million head.
- The feedlot sector continues to show resilience despite significant headwinds in input cost challenges and extreme weather events affecting cattle performance.

From the previous quarter:

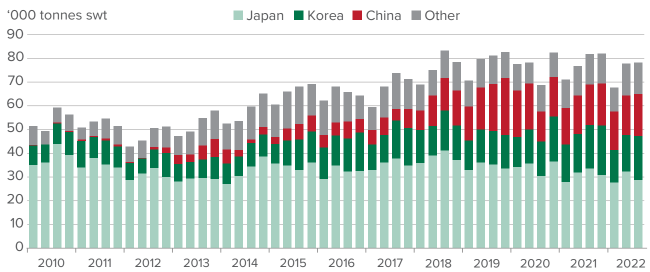
- In Q3, all states except SA saw declines in numbers on feed. SA's lot feeding sector continues to strengthen, with numbers rising 7.6% quarter-on-quarter and 6.9% year-on-year.
- Transport and logistics, grain prices, cattle prices and supply, and wet weather events hampering cattle performance are having adverse effects on feedlots' capacity to operate.
- The key states of NSW and Queensland accounted for 79% of the total national reduction, with the states seeing Q3 falls of 29,510 and 82,000 head respectively.
- Despite softening numbers on feed, national capacity broke a new record, to pass 1.5 million head. A definite sign of longer-term confidence in the lot feeding sector.

Figure 1: Cattle on feed



Source: MLA/ALFA

Figure 2: Quarterly grainfed beef exports



Source: DAFF

Table 1: MLA/ALFA Survey of feedlot activity

	Feedlot capacity			Numbers on feed			Utilisation %		
	Sep-22	Jun-22	Sep-21	Sep-22	Jun-22	Sep-21	Sep-22	Jun-22	Sep-21
NSW	**442,617**	423,043	414,263	**305,554**	335,064	302,369	**69**	79	73
Vic	**78,892**	78,892	78,892	**45,135**	61,362	61,334	**57**	78	78
Qld	**829,167**	820,571	827,270	**626,125**	708,052	690,229	**76**	86	83
SA	**69,094**	58,514	53,814	**38,836**	36,098	36,327	**56**	62	68
WA	**91,526**	91,026	73,477	**40,406**	54,890	28,834	**44**	60	39
Australia	**1,511,296**	1,472,046	1,447,716	**1,056,056**	1,195,466	1,119,093	**70**	81	77

Source: MLA/ALFA

- Turn-off saw a solid uptick, rising by 7% or 46,400 head at a national level to 714,000 head, demonstrating the significant contribution of the grainfed sector to total beef production.
- Due to higher capacity underpinning long-term confidence and a fall in numbers on feed, capacity softened 11% to 70% at a national level in Q3.

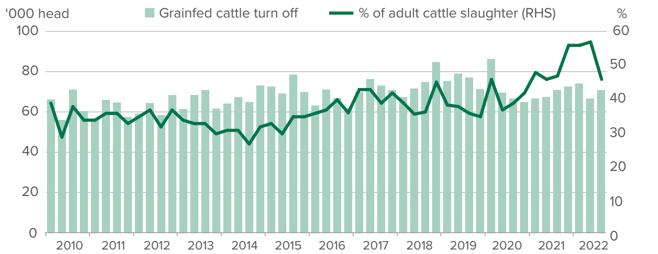
Currency

- Driven by continued global economic recessionary fears and challenging macro-economic operating conditions under inflationary and interest rate pressures, the Australian dollar (A$) averaged US68.4 cents, a 4.3% decline on Q2 performance. The A$ compared to Q3 2021 levels was softer by 7% or US5.1 cents on average.
- The A$ firmed marginally against the Japanese yen in Q3, rising by 2% to average 94.5¥. Comparing Q3 2021 results, the A$ has appreciated a significant 17% or 13.6¥, impacting Australian grainfed beef prices in market.
- In the September quarter, the A$ remained firm, rising 2% to average 916₩ in the quarter.

Grainfed exports

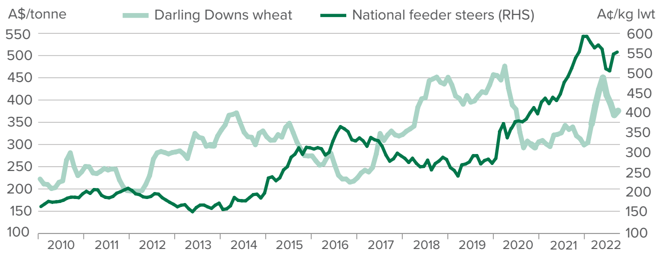
- Total grainfed exports were firm quarter-on-quarter, although strong improvements in volumes to South Korea and China were the highlights. Japan experienced a downturn in export volumes, with its overall share of Q3 grainfed exports falling 5%.
- South Korean volumes lifted 21% or 3,200 tonnes and were firm year-on-year. Its market share also rose 4% during the September quarter.
- Chinese demand for grainfed beef continued its improvement, with exports lifting 6% for the quarter or close to 1,000 tonnes. Its market share also lifted by 2% in the quarter.
- All other countries volumes remained firm quarter-on-quarter, continuing the trend of strong export performance to a diverse range of markets reflecting solid demand for Australian grainfed beef.

Figure 3: Grainfed cattle turn-off



Source: ABS, MLA/ALFA

Figure 4: Feed grain and feeder steer prices



Source: MLA, Profarmer Australia

Domestic feeder cattle prices

- The national feeder steer indicator averaged 493¢ in the September 2022 quarter – a decline of 9% or 48¢/kg lwt on the June quarter. However, compared with year-ago levels, the indicator is operating 6% or 29¢/kg lwt softer..

Grain prices

- In the September quarter, wheat ex-Darling Downs softened 6% or $23 to average $389/tonne on the Ukraine war inflated highs of the June quarter. Year-on-year, prices are higher by 16% or $55/tonne. Grain price increases has driven overall input costs up, to challenge the Australian lot feeding industry this quarter.
- Barley prices ex-Darling Downs quarter-on-quarter were firm at $399/tonne.

Table 2: Numbers on feed by feedlot size

Feedlot size (head)	Sep-22	Jun-22	Sep-21
< 500	**8,575**	9,603	5,506
500-1,000	**33,621**	37,171	35,481
1,000-10,000	**300,501**	315,516	325,524
>10,000	**713,359**	833,176	752,582
Total	**1,056,056**	1,195,466	1,119,093

Source: MLA/ALFA

Table 3: Quarterly cattle feedlot turn-off

	Sep-22	Jun-22	Sep-21
		Head	
NSW	**168,254**	164,846	185,405
Vic	**43,724**	46,585	44,960
Qld	**434,298**	399,225	410,750
SA	**31,193**	17,892	26,974
WA	**36,454**	38,994	40,282
Australia	**713,923**	667,542	708,371

Source: MLA/ALFA

Table 4: Feedlot turn-off

	FY2022	FY2021	FY2011
		Head	
NSW	**887,015**	718,248	824,689
Vic	**220,648**	167,839	263,881
Qld	**2,124,886**	1,542,780	1,816,789
SA	**121,480**	105,457	136,647
WA	**165,578**	122,577	76,360
Australia	**3,519,607**	2,656,901	3,118,366

Source: MLA/ALFA