Lot feeding brief

Results for the December quarter 2022 feedlot survey

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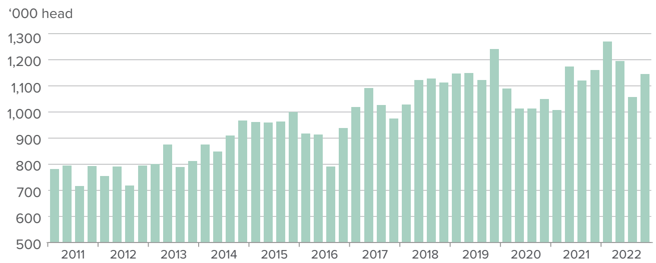
Summary

- The December 2022 quarter saw cattle numbers on feed increase by 8.4% or 89,172 to 1,145,228 head.
- Low utilisation rates and an uptick in cattle supply drove this increase.
- Despite increases in numbers on feed in Q4, pressure on lot feeder margins and challenges regarding cattle prices and input costs remain prevalent for the sector.

From the previous quarter:

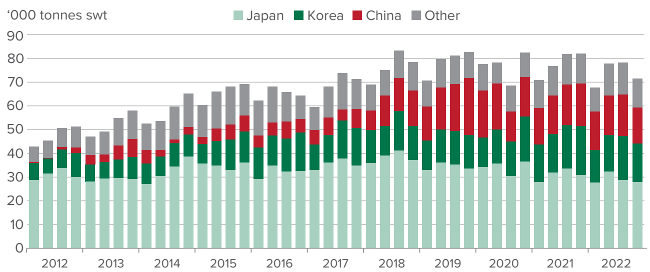
- In Q4, all key performance metrics saw increases, with all states contributing.
- WA experienced its seasonal peak in numbers on feed.
- NSW and Queensland reversed the Q3 fall in numbers on feed, accounting for 71% or 63,098 head of the total increase in Q4. These statistics indicate improved demand for feeder cattle across the key states during the December quarter.
- The trend of increasing national capacity occurred across most states to hit 1.532 million, with WA and SA's capacity falling by 7.4% and 8% respectively.

Figure 1: Cattle on feed



Source: MLA/ALFA

Figure 2: Quarterly grainfed beef exports



Source: DAWE

Table 1: MLA/ALFA Survey of feedlot activity

	Feedlot capacity			Numbers on feed			Utilisation %		
	Dec-22	Sep-22	Dec-21	**Dec-22**	Sep-22	Dec-21	**Dec-22**	Sep-22	Dec-21
NSW	**452,117**	442,617	421,863	**318,905**	305,554	330,977	**71**	69	78
Vic	**82,892**	78,892	78,892	**49,404**	45,135	55,326	**60**	57	70
Qld	**849,462**	829,167	826,284	**675,872**	626,125	689,399	**80**	76	83
SA	**63,594**	69,094	53,414	**41,812**	38,836	44,096	**66**	56	83
WA	**84,751**	91,526	73,127	**59,235**	40,406	40,193	**70**	44	55
Australia	**1,532,816**	1,511,296	1,453,580	**1,145,228**	1,056,056	1,159,991	**75**	70	80

Source: MLA/ALFA

● National turn-off fell to its lowest quarterly volume since Q4 2013, with 618,511 head turned off – this marked a 13.4% or 95,412 head fall quarter-on-quarter and resulted in turn-off volumes operating 14% or 101,980 head below the five-year average of 720,491.

● Utilisation rates, which indicate feedlot buying demand, improved in Q4 , lifting by 5% to 75% (although that remained lower than the 80% recorded for Q4 2021).

Currency

● Inflation, increasing interest rates and the general gloomy global economic outlook continued in Q4.

● The Australian dollar (AUD) against the US dollar (USD) retreated further in Q4 to average US65.7 cents, a decline of US2.7 cents or 4% quarter-on-quarter.

● The A$ compared to Q4 2021 levels was softer by 10% or US7.2 cents.

● The A$ softened against the Japanese yen in Q4, by 2% or 1.5¥ to average 93¥. In comparison to year-ago rates, the Japanese yen is stronger by 10% or 8.4¥. This uptick alongside plentiful US supply has pressured Australian grainfed beef's position in the Japanese market.

● In Q4, the A$ against the South Korean won fell 3% or 23.8₩ to average 892₩. Comparing year-on-year, the won was stronger in Q4 by 2% or 20.3₩.

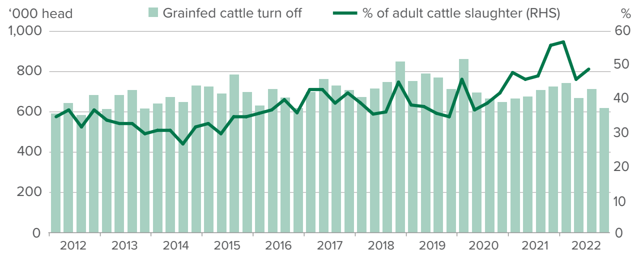
Grainfed exports

● Grainfed exports for the 2022 calendar year were down by 5% or 16,324 tonnes to see 295,195 tonnes exported for the year. Grainfed exports accounted for 34.6% of total beef exports for the year; as a percentage, this was firm on the 2021 calendar year.

● In Q4, grainfed exports were lower by 8.5% or 6,658 tonnes compared to Q3. Encouragingly, Japanese volumes were the least affected.

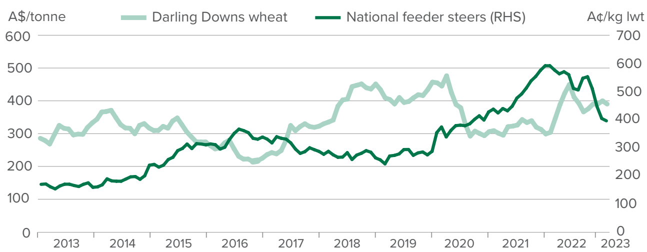
● China experienced a 13% fall in volumes as trade slowed as a result of restrained economic activity in the country due to their COVID-19 zero policy.

Figure 3: Grainfed cattle turn-off



Source: ABS, MLA/ALFA

Figure 4: Feed grain and feeder steer prices



Source: MLA, Profarmer Australia

● In market share terms for CY22, Japanese grainfed export volumes remained firm at 40%, while Korea's market share increased 2% to account for 23% of total exports in 2022. Both Chinese volumes and other nations fell 1% to 21% and 16% respectively year-on-year.

Domestic feeder cattle price, supply and weights

● Supply of yearling feeder steers in Q4 increased by 40% or 14,776 head quarter-on-quarter, placing pressure on prices. In Q4, the feeder steer price fell by 5¢ to average 487¢/kg live weight (lwt).

● Compared to Q4 2021, yearling steer feeder supply for the quarter was down 14.9% or 9,077 head. In Q4 2021, the feeder steer price averaged 547¢, Q4 2022 prices registered an 11% or 59¢/kg lwt decline on Q4 2021.

● Feeder steer weights via the saleyards for Q4 averaged their third highest on record at 420kg/head.

Grain prices

● Darling Downs wheat prices softened further in Q4 to average $385/tonne – this was a $4/tonne fall on Q3 rates. Year-on-year, prices were up by 20% or $60/tonne.

Table 2: Numbers on feed by feedlot size

Feedlot size (head)	Dec-22	Sep-22	Dec-21
< 500	**6,747**	8,575	5,655
500-1,000	**31,017**	33,621	33,301
1,000-10,000	**324,307**	300,501	330,206
>10,000	**783,157**	713,359	790,829
Total	**1,145,228**	1,056,056	1,159,991

Source: MLA/ALFA

Table 3: Quarterly cattle feedlot turn-off

	Dec-22	Sep-22	Dec-21
		Head	
NSW	**166,093**	168,254	175,266
Vic	**32,797**	43,724	38,153
Qld	**374,708**	434,298	475,175
SA	**24,896**	31,193	18,970
WA	**20,017**	36,454	18,505
Australia	**618,511**	713,923	726,069

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