

Industry projections 2021

Australian cattle – November update





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KEY POINTS

- National slaughter numbers decline due to continued tight supply
- Just over 700,000 head of live export cattle expected to be shipped in 2021
- Production expected to fall due to lower slaughter



KEY 2021 NUMBERS

-  **Slaughter:**
6.0 million head
-  **Carcase weights:**
308 kg/head
-  **Production:**
1.848 million tonnes cwt
-  **Beef exports:**
918,000 tonnes swt

* Graphic illustrates year-on-year change

Summary

The cattle and beef market continues at historic highs, with restocker and feeder demand fuelling record prices at the saleyard, which is flowing along the supply chain.

Good seasonal conditions across the eastern states and southern Western Australia continue to underpin demand and confidence in the sector. This has resulted in slaughter being revised down to 6 million head for 2021, the lowest level in 36 years. Carcase weights, while still expected to reach record levels, have been revised slightly down to 308kg, bringing overall production estimates to 1,848 tonnes carcase weight (cwt).

The live export industry is struggling with a range of issues denting the trade, with fewer cattle being sent overseas to key markets. Just over 700,000 head are expected to be exported in 2021.

The global trade environment continues to shift, offering both opportunities and challenges for Australian beef. COVID-19 vaccination rollouts are supporting demand for beef, reflected in domestic sales and increasing demand out of key markets despite a slow start in production this year. Since September, the Australian dollar (A\$) has continued its upwards surge, currently sitting at \$0.75US, adding pressure to exporters to remain competitive. On top of this, labour shortages, high shipping costs and record-breaking cattle prices are creating additional headwinds for exporters to make a return.

The increasing demand for protein from China has resulted in many suppliers shifting their focus towards this market (particularly the US and South America) to capitalise on Australia's constrained production and ongoing trade tensions. In recent times, China has approved more countries for importation as it attempts to diversify its supply channels in the wake of Argentine export controls and Brazilian cases of BSE, altering the beef landscape significantly.

For Australian exports, Korea remains a strong, reliable market, while Japan continues to purchase the most Australian beef.

Table 1: Situation and outlook for the Australian cattle industry

	2016	2017	2018	2019	2020e	2021 ^f	% change 2021 ^f on 2020	2022 ^f	2023 ^f	% change 2023 ^f on 2021 ^f
Cattle numbers ('000 head)*										
cattle	26,845	27,965	28,052	26,187	24,621	26,361	0%	27,821	28,643	9%
percentage change	-2.1%	4.2%	0.3%	-6.6%	-6%	7%	0%	5.5%	3.0%	0%
Slaughterings ('000 head)										
cattle	7,288	7,158	7,873	8,482	7,171	6,000	-16%	6,650	7,450	24%
calves	542	413	468	565	415	375	-10%	422	440	17%
total	7,830	7,571	8,341	9,047	7,586	6,375	-16%	7,072	7,890	24%
Average carcass weight (kg)										
cattle	288.2	297.6	290.8	283.6	294.8	308.0	4%	311.1	309.8	1%
calves	53.9	45.7	41.3	43.0	48.7	50.9	5%	49.5	51.0	0%
Production ('000 tonnes carcass weight)										
beef	2,100	2,130	2,289	2,405	2,111	1,848	-12%	2,069	2,308	25%
veal	29.2	18.9	19.3	24.3	20.2	19	-5%	20.9	22.4	17%
total beef and veal	2,130	2,149	2,309	2,430	2,131	1,867	-12%	2,090	2,331	25%
Cattle exports ('000 head)										
cattle	1,142	867	1,126	1,304	1,010	705	-30%	750	830	18%
Beef exports** ('000 tonnes)										
total, carcass weight	1,497	1,492	1,655	1,807	1,528	1,350	-12%	1,558	1,676	24%
total, shipped weight	1,018	1,015	1,126	1,229	1,039	918	-12%	1,060	1,140	24%
Domestic utilisation ('000 tonnes carcass weight)***										
total, carcass 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, carcass 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

Weather

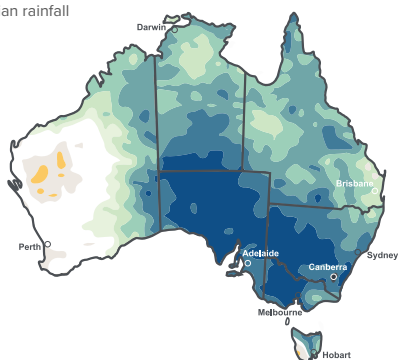
The Bureau of Meteorology (BOM) is predicting above-average rain for all major cattle regions through until the end of February. It is also forecasting that Australia will experience a mild *La Niña* this summer. This increased rainfall in northern Australia should translate to increased pasture growth, which will continue to strengthen the national herd rebuild into 2022.

Figure 1: Australian rainfall outlook – Nov 2021 to Jan 2022

Chance of exceeding the median rainfall

Legend

Dark Blue	Above 80% chance
Blue	75-80% chance
Light Blue	70-75% chance
Green	65-70% chance
Light Green	60-65% chance
Yellow-Green	55-60% chance
Yellow	45-55% chance
Light Yellow	40-45% chance
Orange	35-40% chance
Dark Orange	Below 30% chance



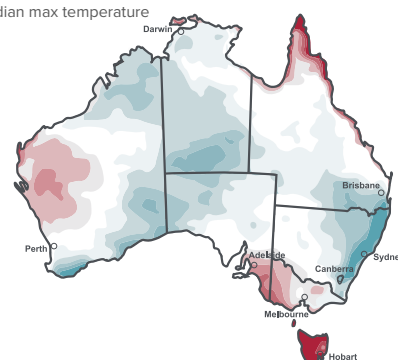
Source: Bureau of Meteorology

Figure 2: Australian temperature outlook – Nov 2021 to Jan 2022

Chance of exceeding the median max temperature

Legend

Dark Red	Above 80% chance
Red	75-80% chance
Light Red	70-75% chance
Orange	65-70% chance
Light Orange	60-65% chance
Yellow	55-60% chance
Light Yellow	45-55% chance
Light Green	40-45% chance
Green	35-40% chance
Light Green	30-35% chance
Light Blue	25-30% chance
Blue	Below 20% chance



Source: Bureau of Meteorology

Supply

Seasonal conditions started to improve in autumn 2020, and by the end of 2022 calves born since this time are expected to hit the market – increasing the supply of cattle available.

The rebuild is expected to continue into 2022, as the BOM prediction of a *La Niña* will ensure that ground water supplies are available. The favourable harvest conditions of 2020 and 2021 have also allowed Australia a feed grain buffer should the 2022 season deteriorate.

Input costs

Both fuel and fertiliser costs have increased throughout 2021. At present, the price of oil (WTI) is at its highest level in over five years at \$81US per barrel, placing pressure on input costs for producers. These high oil prices are expected to continue into 2022. Fertiliser prices are also at historic high prices, further adding to increasing input costs.

Failed crops in the US and Russia are putting upwards price pressures on global grain prices. Despite the prediction of a second large harvest in Australia, grain prices remain high due to the global supply issues.

Exchange rate

The Australian dollar is currently sitting at 75.1US cents, appreciating 4.5% in one month on the back of inflation concerns. Australia's inflation could exceed the Reserve Bank of Australia's target of between 2–3%, leading to an interest rate rise.

This will not only increase the price of food within the domestic economy, but will also put pressure on the competitiveness of all Australian exports, including beef. Furthermore, the exchange rates of some major competitors have fallen, such as the Argentine and Brazilian currencies.

Labour

Australia continues to experience labour shortages across the supply chain, affecting on-farm production, processors and exports. The issue has been caused by Australia's ongoing border closures and has had a large impact on the processing capacity of some plants.

As Australia's borders open in 2022, and through specific visa programs, it is expected that the current labour shortages should ease, however, the problem will take time to be fully rectified.

Exports

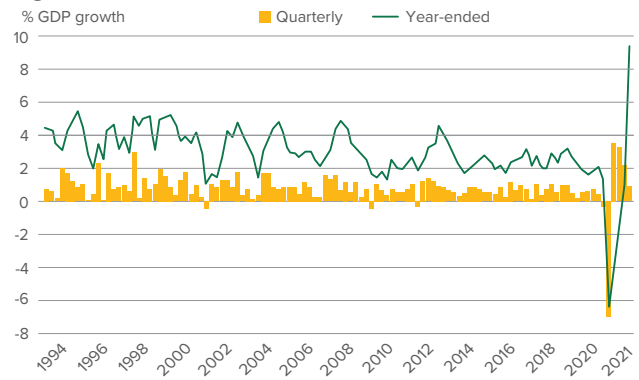
Port disruptions and bottlenecks in some Australian ports are causing some delays in exports. The global cost and availability of shipping containers is further disrupting Australian exports, including red meat. However, reduced cattle slaughter in 2021 means Australia is less exposed to these issues. The reduction in air travel has also impacted the availability of air freight exports from Australia. These issues are expected to ease in 2022.

Since previous update in July:

Herd

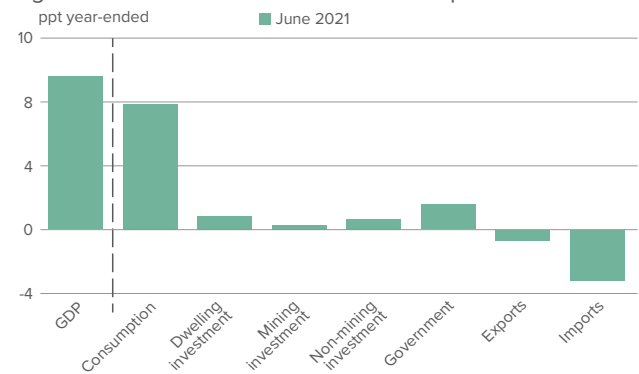
The predicted national herd for 2021 remains unchanged, still estimated to reach just over 26 million head this year, 7% above the 2020 level. The herd rebuild has continued as positive conditions encourage producers to retain stock for breeding purposes – something that should be sustained with a positive three-month weather outlook across most of the country.

Figure 3: Australian GDP



Source: ABS and RBA

Figure 4: Drivers of Australian economic performance



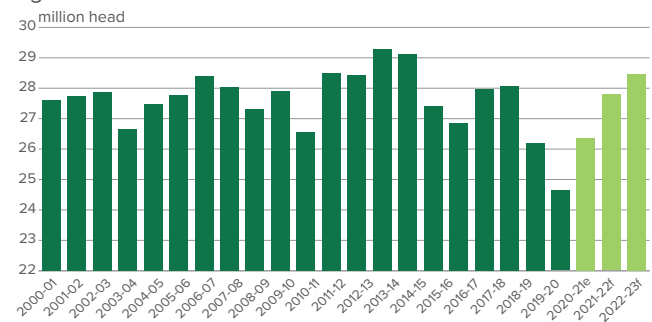
Source: ABS and RBA

Figure 5: US/AU exchange rate



Source: RBA, NAB, ANZ, CBA, Westpac

Figure 6: National cattle herd



Source: ABS, MLA forecasts

Slaughter

Slaughter has been revised lower to 6 million head in 2021, the lowest level in 36 years on the back of low supply, continued rain and processor labour shortages and disruptions. Estimates indicate that close to 4.5 million head have been killed in the first three quarters of 2021. Typically, slaughter in October and November lifts, however, Christmas shutdown periods and steady rainfall across key supply regions are likely to continue to impact slaughter and prevent a significant rise.

Carcase weights

Carcase weights have been revised slightly lower to average 308kg in 2021, but are still predicted to reach record levels this year due to better grass cover and higher feedlot representation. Persistent wet conditions through winter in key processing cattle areas and a lower cow and grown animal kill have meant average weights may not reach previously estimated levels for the recent quarter. Saleyard data suggests that grassfed cows have decreased in weights and volumes have been declining throughout the year.

Production

On the back of lower slaughter than predicted and carcase weights dropping slightly, production has been revised to 1,848 million tonnes cwt – 12% below 2020 levels. Similarly, throughout all of 2021, Australia continues to be limited by its current low supply outlook in terms of what can be produced. The 2023 outlook has total beef production at 2,308 million tonnes cwt, up 25% on 2021 levels as herd numbers build.

Live export

The export trade outlook for the last quarter of 2021 is now anticipated to be quieter than was forecast in July, resulting in a further slight revision down of 2% for 2021, from 720,000 head to 705,000 head, reflecting an overall decline of 30% on 2020 live exports.

A further revision down on exports for 2022 and 2023 has also been made, with wider recognition now that the herd rebuild will be gradual. With the flow on to live export, particularly for the peak supply period of March to August, its expected exports will build gradually from the second half of 2022. Forecast live export volume for 2022 has been revised down 12%, from 840,000 head to 750,000 head, and for 2023 revised down 14%, from 950,000 head to 830,000 head. The current anticipated lift in export volumes from 2021 to 2023 is 18%.

Supply, price, COVID-19 economic recovery and increased competition in the market will drive future volumes. As Australia's cattle population and live export supply return to pre-COVID levels over the next two years, prices are expected to gradually ease, which will be welcome news for Australia's livestock exporters and their overseas customers.

Figure 6: National cattle herd

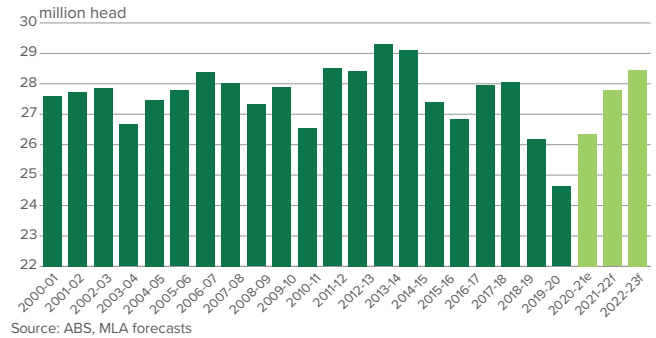


Figure 7: National adult cattle slaughter

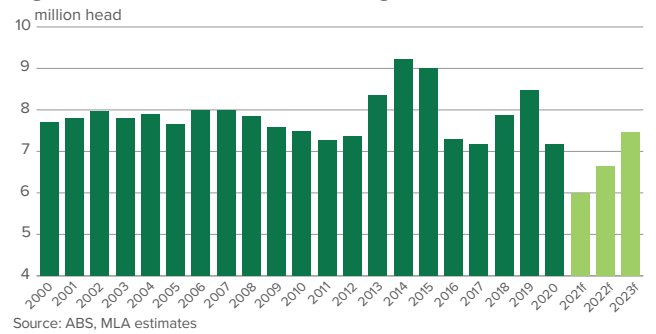


Figure 8: Adult carcase weights

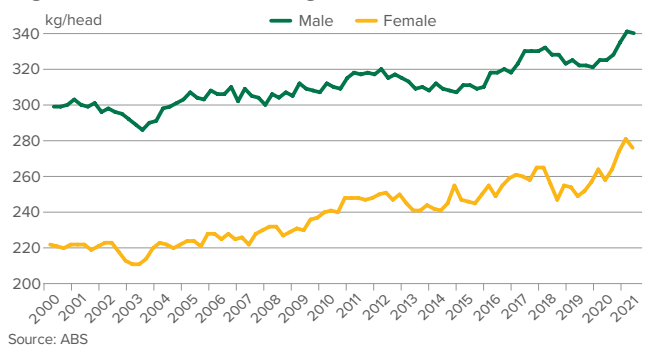
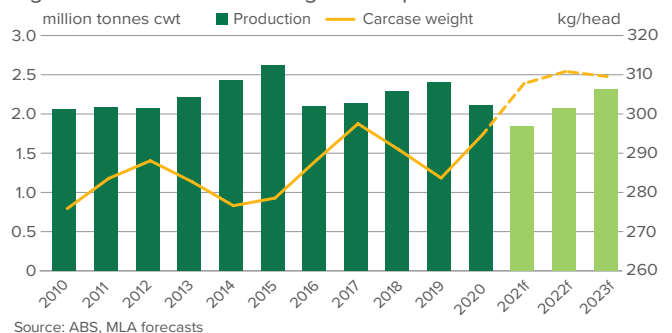


Figure 9: Cattle carcase weights and production



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

Key and emerging issues

Australian live export industry

The live cattle export industry continues to endure the toughest trading conditions in its history. While prices for Australian producers have been the strongest on record, the corresponding cost of Australian cattle for overseas importers has resulted in negative returns as they struggle to offset increased costs throughout the supply chain. Some overseas operators have withdrawn from the market until trading conditions improve.

Depressed in-market demand for fresh beef due to COVID-19 overseas and the domestic combination of tight supply, a favourable season, fierce competition and extreme prices have left live exporters struggling to maintain workable trading arrangements for their overseas customers.

High domestic prices have softened importer demand, with key markets increasingly looking to alternate sources for affordable live cattle supply. Cheaper live cattle from Brazil have recently been imported to Vietnam, Australia's second largest live cattle market. More Brazilian shipments are scheduled, with the impact on trade from Australia yet to be seen. Brazilian cattle are not subject to Australia's Exporter Supply Chain Assurance System (ESCAS) welfare assurance requirements, with importers able to openly trade and maximise their returns outside ESCAS-approved facilities and supply chains.

Frozen Indian Buffalo Meat (IBM), with its simple supply chain, lower price and continued availability, has increased its presence in Indonesia's wet markets, where most locally processed Australian fresh beef is sold. Australia's market share is therefore at an increased risk, unless there is new capacity to differentiate fresh beef from IBM and capture increased value at the retail level.

IBM imports have changed from being traditionally focused on re-export to China to covering domestic Vietnamese demand, as trade channels to China through Vietnam have been gradually reduced in recent years. It is likely that live cattle volumes in Vietnam will remain relatively stable in 2022, as Vietnamese foodservice demand is unlikely to recover until after Q1. If Brazilian cattle (and potentially Brazilian meat) imports take hold in 2022 at a lower price point, some IBM may be displaced in wet markets.

As global fuel-oil prices have increased significantly, livestock shipping costs have only marginally increased this year due to reduced demand for charters on the back of lowered demand for cattle and a corresponding surplus in shipping capacity. Shipping operators are taking the rates they can get from exporters and are largely absorbing the higher fuel costs to keep their vessels running.

Favourable seasonal conditions in southern Australia combined with solid demand and prices from southern pastoral and feeder markets have resulted in higher volumes of northern cattle heading south that previously would have been available for the northern live trade. This trend has placed additional pressure on live export supply and prices in those dominant northern markets.

South American beef trade

Argentina

In May 2021, Argentina announced it would suspend beef exports for 30 days to curb high domestic prices. Argentina has been dealing with high inflation rates in 2021, resulting in beef dishes becoming particularly expensive as strong export demand drives prices up.

After the 30-day ban, exports were renewed under new restrictions. Through to October, Argentine beef exports were limited to 50% of the average monthly volumes that were exported in the second half of 2020, allowing approximately 28,100 tonnes per month in beef exports, with some popular domestic cuts banned outright. Export destinations with actively managed quotas, such as Israel, the US and EU, do not contribute volume to the export restrictions.

The restrictions had varied success in tempering beef export volumes. In May, producers rushed to export pre-restriction implementation, with volumes 27% higher than the previous four month average. The impact of restrictions was visible in June, with exports falling 43% compared to the previous month. However, in August volumes increased – potentially above restriction levels. It is difficult to infer whether the excess volumes are explained by the mechanism of export control, or whether exporters have found ways around the restrictions. However, it is expected the mismatch will balance out over time.

Although the export controls have curbed excessive growth, overall beef exports have been comparable to previous years, with a small decrease of approximately 2% from 2020 volumes for the year-to-date. Restrictions have increased the share of alternative export locations. The market share of destinations that weren't China increased from 17% pre-restrictions to 34% in the month of September.

Beef exports, along with China's market share, are expected to grow across the rest of the year. In October, the Argentine government lifted restrictions on manufacturing cow beef for China. This change is expected to produce an additional 20,000–25,000 tonnes available for export during the rest of 2021.

Brazil

Despite a ban with China, Brazil has exported beef at record levels during the month of September, with 187,017 tonnes sent globally and 112,000 tonnes shipped to China. Trade was suspended in early September between Brazil and China after the discovery of two cases of ‘atypical BSE’ (mad cow disease). At the time of the announcement, it was suspected restrictions would be resolved in little over a week so shipping has continued, with exports holding on ships and in pre-customs storage to await lifted restrictions.

With the ban still active in late October, some exports have been awaiting entrance to China for close to two months, and if the ban continues this beef may need to be diverted to neighbouring countries. With shipping taking approximately one month, the impact of the ban on Chinese import volumes won't be known until the October data is released.

Australia is not set to take export volume from China's restrictions towards Brazil and Argentina. While beef imports from China have grown 10.54% year-on-year, Australia has experienced a 48.77% decline for the year-to-date. This is particularly significant considering strong growth from competitors and even stronger growth from new players. Uruguay and New Zealand have grown export volumes 36.52% and 17.3%, respectively, while Russia has grown close to three-fold and the US up nine-fold.

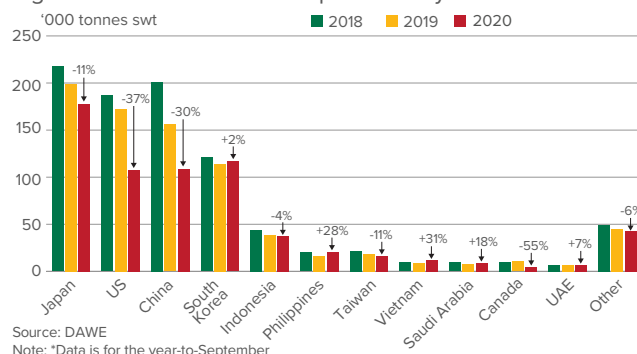
International markets summary

Over 6.6 million tonnes of beef have been exported worldwide for the year-to-date. Brazil is the world's largest beef exporter, contributing 1.3 million tonnes into world markets so far in 2021, with over half destined for China. The US is the second largest exporter so far this year, contributing approximately 735,000 tonnes. The largest markets for the US are South Korea and Japan, however, exports to China have grown nine-fold for the year-to-date, making it their third largest export destination. US beef export volumes are expected to grow further with drought conditions and high feed costs driving herd liquidation.

Australia is currently the third largest exporter of beef globally. Australia has exported 660,568 tonnes of beef for the year-to-date, with 17% lower volumes for the year-to-September. Lower export volumes have been the result of both supply and demand factors. Most key export markets have fallen compared to 2020 volumes except for South Korea, which has held steady at a 2% increase this year.

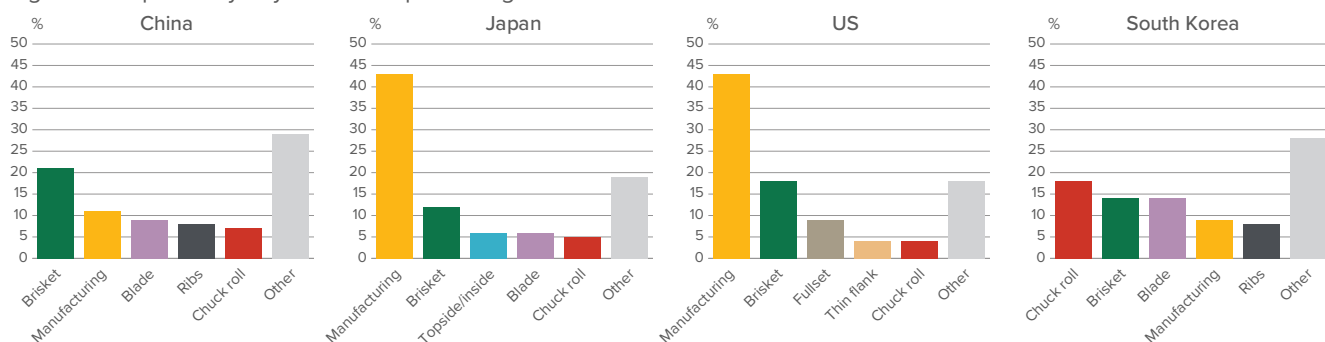
Exports volumes to China have been consistently low in 2021, with an average export volume of 12,086 swt per month compared to 16,391 swt in 2020 and 25,011 swt in 2019. Correspondingly, China's market share has fallen from 20% in 2020 to 16% in 2021. In addition to Australia's constrained supply due to herd rebuild being a key factor behind lower export volumes, access issues are further impacting volumes, particularly to China, which has banned several Australian processors in the past few years.

Figure 10: Australian beef exports to key markets* – volume



Source: DAWE
Note: *Data is for the year-to-September

Figure 11: 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](#)

Table 2: Major export market summary

	2021 tonnes Jan to Sep	YOY % change Jan to Sep	2021 market share Jan to Sep	2021 tonnes top 5 cuts Jan to Sep	2021 top 5 cut %	Grassfed 2021 Jan to Sep	Grainfed 2021 Jan to Sep	Chilled 2021 Jan to Sep	Frozen 2021 Jan to Sep
Japan	177988	-11%	26.90%	121627	68.33%	84758.06	93229.98	74263.4	103724.6
South Korea	116709	2%	17.70%	73361	62.86%	66238.52	50470.55	29282.75	87426.32
China	108776	-30%	16.50%	45821	42.12%	60175.02	48600.78	17376.72	91399.08
United States	107907	-37%	16.30%	91666	84.95%	104747.4	3159.197	42626.73	65279.92
South-East Asia	87637	5%	13.30%	58132	66.33%	75194.21	12442.93	12870.91	74766.23

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

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

Japan

Japan has long been the leading export destination for Australian beef. Despite a shrinking population and slow economic growth, Japan is one of the world's largest consumer markets. Strong consumer purchasing power and sophisticated retail, foodservice and food manufacturing sectors, combined with a positive image of Australia as a trusted source for tasty and high quality beef will continue to underpin long-term growth for Australian beef exports to Japan.

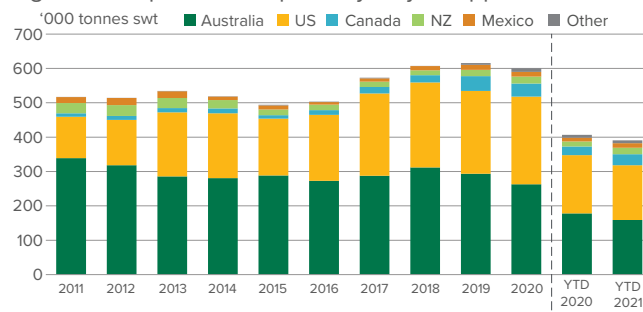
For the first three quarters of 2021 there have been challenges for Australian beef exports to Japan, resulting in an 11% year-on-year drop to 177,911 tonnes swt – the second lowest level over the past two decades.

Overall, Japan's beef imports have been weak this year, with total shipments in the year-to-August declining 4% year-on-year. While there is no mandatory COVID-19 lockdown in Japan by law, restrictions to foodservice operations have included shortened trading hours and limited alcohol being served under state of emergency measures across the country, which have reduced foodservice's demand for red meat. Household spending, particularly on food, has edged down since the issuance of the state of emergency measures in April 2021¹ (Source: Statistics of Japan).

MLA's Japan Consumer Tracker 2021 recorded a slight dip in consumption frequency for all key proteins (beef, pork and chicken). In addition to weak demand from both the foodservice and retail sectors, increased availability and softening prices of domestic beef have impacted beef import performance so far. Increased beef export prices due to high livestock prices and tight supply in Australia, coupled with growing competition from the US and other Comprehensive and Progressive Agreement for Trans-Pacific trade (CPTPP) members, including Canada, New Zealand and Mexico, have further affected demand for Australian beef from Japan.

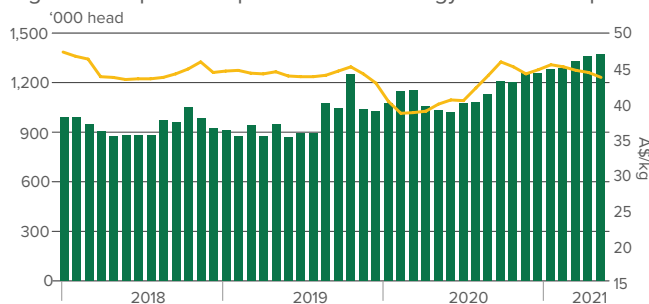
Nonetheless, demand is anticipated to rebound from quarter four as Japan lifts state of emergency measures nationwide, starting from 1 October 2021. Although there are still restriction measures in place, the relaxation of the almost six-month long state of emergency creates optimism for the foodservice and domestic tourism sectors as consumers can now enjoy a longer dinner with alcohol served at restaurants. There is also a return to travel for fully vaccinated people from autumn. Japan's efforts to reopen its economy support a brighter outlook for Australian beef exports. With domestic production starting to recover, the Australian cattle and beef industry is expected to see an uplift in beef exports to Japan from the last quarter of 2021.

Figure 12: Japan beef imports by major suppliers



Source: IHS Markit
Note: YTD: Year to date from January to August

Figure 13: Japan beef production and Wagyu wholesale prices



Source: ALIC (*production is based on estimated year-end inventory of total beef products; **average wholesale prices of A-5, A-4 wagyu products)

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

Vietnam

In 2020, Vietnam stood out as a successful model in containing the pandemic, experiencing one of the highest economic expansions in the first year of COVID-19. Although some economic sectors were particularly impacted, such as international tourism, Vietnam's robust export performance and rebound of domestic economic activity have sustained growth. Even though the Delta variant has led to stricter and longer lockdown measures in 2021, an effective combination of vaccination roll-outs, strict control measures imposed since April and a more permissive approach towards 'living with COVID' have enabled a gradual reopening.

In this context, the demand drivers for Australian beef in Vietnam remain strong. These include the expansion of the middle class, a well-educated and aspirational young population, the popularity of beef in the diet, increasing urbanisation, a high modernisation rate of the retail and foodservice sectors and favourable trade conditions. Since the import tariff removal in 2018 under the ASEAN-Australia New Zealand Free Trade Area (AANZFTA), Vietnam has been one of Australia's fastest-growing red meat export markets, valued at A\$588 million in 2020–21 to become the seventh largest market for Australian boxed beef by volume and value. The Australian zero tariff arrangement provides an advantage over major competitors in the market – the US and India, although the CPTPP since 2019 has increased competition from some smaller suppliers such as Canada.

¹ Office for Novel Coronavirus Disease Control, Cabinet Secretariat, Government of Japan

As a higher-priced protein, beef is more frequently consumed by affluent consumers, and the number of affluent households earning at least US\$35,000 annual disposable income is forecast to grow at a CAGR of 23% between 2020 and 2025 (Source: Fitch Solutions). Supermarkets and hypermarkets are the main retail sales channels for imported beef. While traditional channels still dominate the market, modern retail has been growing at a faster pace, further accelerated by pandemic-related restrictions that have disproportionately affected wet and wholesale markets in large cities, forcing more consumers to shift to modern retail outlets.

While per capita beef consumption levels are still relatively low by global standards, Vietnam has among the highest beef consumption frequency and the fastest consumption growth in the South-East Asia region (Source: Fitch Solutions). In the context of the pandemic, health and safety factors have become even more important as meat purchase priorities for consumers. Beef is perceived as the animal protein with the highest nutritional value and a dietary essential for children. Australian beef is well-positioned to meet consumers' needs due to its perceived strong associations with safety and quality.

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

Domestic demand

The cattle industry has experienced two production cycles in the last 10 years. Despite the ups and downs of production, the domestic market remains the largest single market for Australian beef, consuming around 30% of total production. In the expansion phase where supply is larger, more Australian beef is shipped overseas, reflected by a 5% decline of domestic market share. When the herd is rebuilding, typically the proportion of cattle to domestic market increases, with export share diminishing slightly. Compared to the stable volume share of the domestic market, the volume of beef consumed in Australia has gradually declined in the last decade. Annual domestic consumption has dropped from above 700,000 tonnes in 2011 to 580,000 tonnes in 2020 and 2021.

The decline in domestic consumption is related to the rapid increase in beef prices. The retail price of beef increased by 50% from 2011 to 2021, compared to a 29% growth in lamb prices (ABS). Over the same period, prices of pork and chicken rose by 19% and 3%, respectively (ABS). The average retail price of beef in the June quarter 2021 rose to \$24.72/kg, up 13.5% on 2020. In the Australian market, the beef retail price is 4.4 times higher than the price for chicken and 1.9 times higher than pork prices. The supply chain disruptions and high demand of beef and other proteins at the global level underpins this price spike.

High prices impair the sales volume of Australian beef but continue to drive strong value growth. The value share of fresh beef has increased by 0.5% compared to a year ago, in contrast to a 2% contraction in volume share. Beef purchase frequency has declined by 0.6 trips compared to two years ago, despite total fresh meat seeing growth of 0.6 trips (Nielsen Homescan).

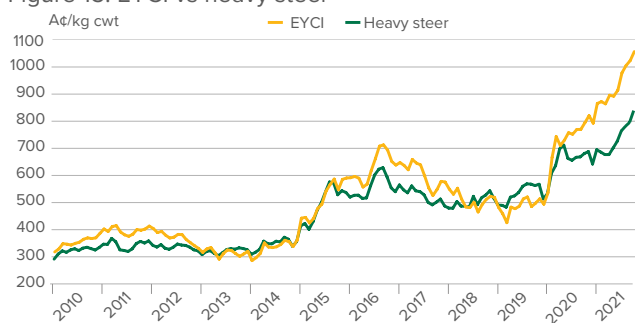
In the longer-term, major supermarkets outperformed other supermarkets and drove relatively stable volume performance in Q3 2021 compared to two years prior. Butchers are facing challenges, given they have consistently experienced volume declines for fresh beef and other meat categories in 2021. Online shopping has maintained strong growth year-on-year, with beef retaining the largest share and continuing to be the key driver for online grocery shopping. Beef mince, sausage, rump steak, scotch fillet steak and pre-prepared beef are the top five cuts for online retailers, while beef stir-fry/diced/casserole cuts or strips, mince, rump steak, scotch fillet steak and pre-prepared beef have gained the most popularity in "bricks & mortar" stores (Nielsen Homescan).

Prices

The Australian cattle market in 2021 has reached record highs as restocker and feeder demand at the saleyards continues to drive upwards trends. Prices for most categories of cattle continue to rally on the back of fewer numbers and above-average rainfall across large parts of the eastern states.

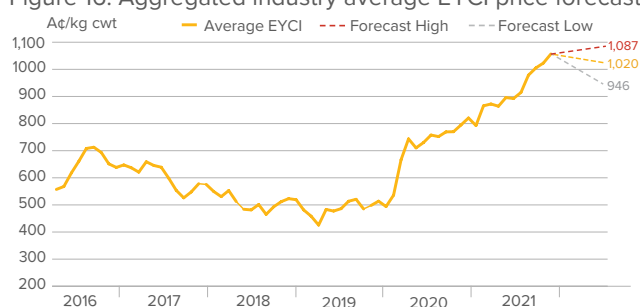
Competition between lot feeders and restockers at selling centres has remained a prominent feature and reinforced the current strength of the young cattle market. The market share of Eastern Young Cattle Indicator (EYCI) eligible cattle has remained relatively steady, with feeder and restocker buyers making up 48% and 41%, respectively, and processors purchasing the rest.

Figure 15: EYCI vs heavy steer



Source: MLA's NLRS

Figure 16: Aggregated industry average EYCI price forecast



Source: MLA, Rabo Bank, ABARES, Thomas Elder Markets, Mecardo, NAB, AuctionsPlus

The [EYCI](#) continues to break records, most recently reaching 1,076¢/kg cwt on 26 October, marking a 33% appreciation in 12 months. Over the last three months, restockers paid on average a 113¢/kg cwt premium over feedlots for young cattle. While diminishing supply continues to be a key market driver, it is the buying power of producers that is currently supporting these high prices.

The gross value of heavier cattle in 2021 has reached its highest level in four years, albeit saleyard throughput for both feeder and heavy steers also increased back to 2018 levels. The consistency of feedlots to secure cattle resulted in the average price of [feeder steers](#) in 2021 reaching \$1,922/head, an average increase of 84¢/kg live weight (lwt) compared to 2020 prices. In line with the lift in young cattle prices, the National [Heavy Steer](#) Indicator rose by an average of 62¢/kg lwt, or 18%, to sit at 404¢/kg lwt in 2021.

Looking ahead

As conditions dry off over summer, saleyard throughput typically rises as restockers look to turn off cattle. While historically an increase in supply puts downward pressure on prices, the BOM three-month outlook is forecasting favourable conditions and above-average rainfall into summer, which could see pasture and grain availability allow producers to retain stock.

Given recent activity in the young cattle market has been primarily fuelled by restocker activity, prices are likely to follow the availability of feed moving into summer. While demand from feedlots continues to push into the younger cattle market, the heights of the EYCI reflect the purchasing power of producers and thus, prices are likely to fall as restocker interest recedes. Looking ahead, the EYCI is expected to reach 1020¢/kg cwt by the end of 2021, an indication that prices will fall away in the short term but remain historically high for the foreseeable future.

The demand for domestic cattle is also likely to be influenced by shifts in the global trading landscape. With an already diminishing supply of prime cattle, saleyard prices are expected to benefit from the ongoing competition as lot feeders, restockers and processors all look to secure cattle.




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