Lot feeding brief

Results for the June quarter 2017 feedlot survey

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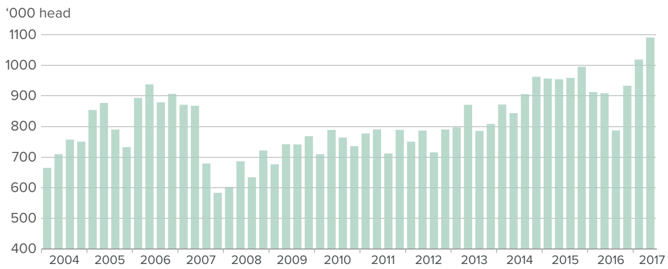
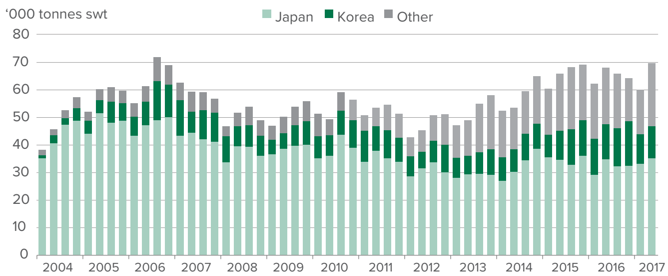
- Numbers on feed for the June 2017 quarter increased 7% from the March quarter to a record 1,089,000 head – surpassing one million head for the second consecutive quarter.
- There was a modest 3% decline in fed cattle turnoff in 2016-17, driven by reduced marketings in the first half of the year and the incentive to feed cattle for longer. However, as a percentage of total adult slaughter it represents the highest on record, at 39%.
- The national saleyard feeder steer indicator averaged 354¢/kg lwt for the 2016-17 fiscal year, 12% (38¢) higher than year-ago levels. This was buoyed by historically high cattle prices throughout the first half of the year. Deteriorating seasonal conditions over the last couple of months, combined with a poor-to-average rainfall outlook has resulted in restocker demand subsiding somewhat, putting downward pressure on the cattle market. This has seen more feeder cattle buyer activity within the store market.
- The A$ averaged US75¢ for the 2016-17 financial year, up 3% year-on-year and has continued to strengthen into 2017-18. This has been driven by weakness in the US currency and spurred on by well performing commodity prices, such as iron ore. Positive growth in the Chinese economy (Australian's largest trading partner) has also helped underpin a stronger Australian dollar.

Figure 1: Cattle on feed



Source: ALFA/MLA

Figure 2: Quarterly grainfed beef exports



Source: DAWR

Table 1: MLA/ALFA Survey of feedlot activity

	Feedlot capacity			Numbers on feed			Utilisation %		
	Jun-17	Mar-17	Dec-16	**Jun-17**	Mar-17	Dec-16	**Jun-17**	Mar-17	Dec-16
NSW	**389,263**	389,662	390,222	**338,406**	329,170	286,561	**87**	84	73
Vic	**73,552**	74,652	74,652	**64,184**	60,008	53,290	**87**	80	71
Qld	**695,163**	667,432	667,432	**626,580**	556,886	540,875	**90**	83	81
SA	**40,637**	40,307	40,307	**34,235**	29,864	21,747	**84**	74	54
WA	**67,777**	67,777	67,777	**25,668**	40,548	33,115	**38**	60	49
Australia	**1,266,392**	1,239,830	1,240,389	**1,089,072**	1,016,475	910,967	**86**	82	73

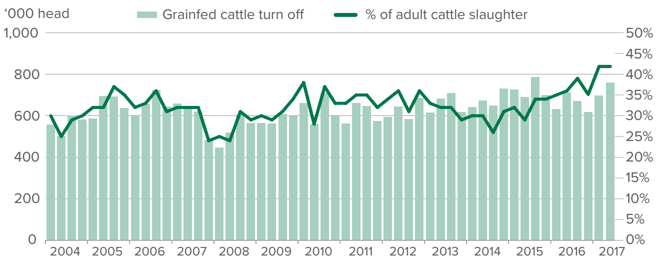
Source: MLA/ALFA - Feedlot Capacity figures are provided by AUS-MEAT Limited (AUS-MEAT)

■ Underpinned by reduced turnoff, Australian grainfed beef exports eased 4% year-on-year, at 258,000 tonnes shipped weight (swt). However, numbers on feed lifted in the second half of the year, supporting grainfed beef exports. In fact, 2016-17 grainfed beef exports were 14% above the five-year average.

■ Shipments to Japan accounted for 52% of total Australian grainfed exports in 2016-17, at 129,000 tonnes swt. This was up 1% from year-ago levels. Limited supplies of grassfed beef, increased grainfed production and the reduction in tariffs on 1st April under the Japan Australia Economic Partnership Agreement (JAEPA) assisted growth in the latter half of the year, particularly.

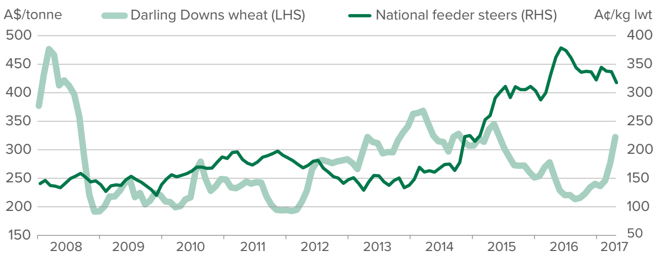
■ The proportion of grainfed shipments to Korea reached a high this year, accounting for 20% of total grainfed beef exports. Volumes lifted 1% year-on-year, to 37,000 tonnes swt, as larger volumes imported in the first half of the year triggered the calendar year safeguard. The increased domestic production of Hanwoo beef, increased competition from the US and issues with import finance slowed Korean imports throughout the second half of the fiscal year.

Figure 3: Grainfed cattle turn-off



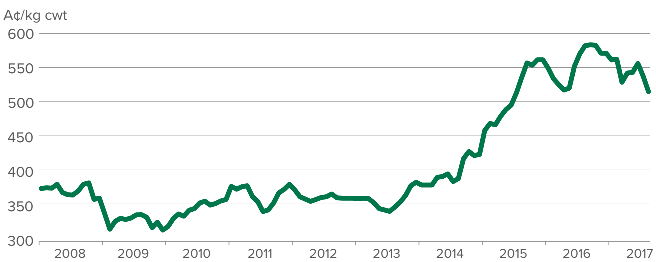
Source: ABS, ALFA/MLA

Figure 4: Feed grain and feeder steer prices



Source: MLA, Profarmer Australia

Figure 5: Queensland 100-day grainfed steer over-the-hook indicator



Source: MLA

■ Volumes of Australian grainfed beef to China for the twelve months to June, lifted 11% year-on-year to 26,500 tonnes swt, accounting for 10% of total grainfed exports. Growth to China has been substantial, lifting 86% from the five-year average as a result of greater market access and growing demand.

■ Fiscal year grain prices averaged lower in 2016-17, on the back on high global production. In fact, 2016-17 represented Australia's largest year of grain production on record. Wheat ex-Darling Downs averaged $238/tonne, while barley averaged $218, to both be 17% lower year-on-year. Sorghum was 9% lower, averaging $231/tonne. More recently, the forecast decline in grain production has resulted in prices recovering somewhat, however for feedlot budgets this has been partially mitigated by decreasing cattle prices.

Table 2: Numbers on feed by feedlot size

	Jun-17	Mar-17	Jun-16
Feedlot size (head)			
< 500	**15,454**	14,348	22,902
500-1,000	**43,323**	33,624	32,475
1,000-10,000	**334,947**	329,324	329,826
>10,000	**695,349**	639,178	525,764
Total	**1,089,072**	1,016,475	910,967

Source: MLA/ALFA

Table 3: Quarterly cattle feedlot turn-off

	Jun-17	Mar-17	Jun-16
		Head	
NSW	**194,905**	219,141	231,453
Vic	**51,811**	35,909	58,383
Qld	**464,255**	397,154	350,577
SA	**19,480**	5,985	28,031
WA	**25,766**	40,008	44,060
Australia	**756,216**	698,199	712,504

Source: MLA/ALFA

Table 4: Feedlot turn-off

	FY2007	FY2016	**FY2017**
NSW	746,350	860,094	**796,366**
Vic	223,617	215,902	**160,051**
Qld	1,448,374	1,571,212	**1,637,252**
SA	83,903	78,106	**45,046**
WA	166,566	103,564	**104,161**
Australia	2,668,810	2,828,877	**2,742,827**

Source: MLA/ALFA