



Lot feeding brief

Results for the December quarter 2017 feedlot survey

Adam Cheetham – Global Market Analyst – acheetham@mla.com.au

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■ Cattle on feed at the end of the December 2017 quarter declined 51,600 head (or 5%) from the September quarter, to 973,176 head – however 8% higher than the December quarter 5-year average.

■ The decline in cattle on feed is being driven by a number of factors, including the fall in grain harvests (the 2017–18 winter harvest was down an estimated 23% and summer is forecast to fall 41% nationally – ABARES), the subsequent lift in feed grain prices in late 2017 and the growing gap between feeder (¢/kg) and finished (¢/kg) prices

■ The national saleyard feeder steer indicator averaged 304¢/kg lwt during the December quarter – closing the year at 307¢/kg lwt – representing a 37¢ (or 14%) increase from where it finished the September quarter. Average to above-average rainfall in October encouraged stronger competition amongst buyers, driving cattle prices higher.

■ The Queensland 100-day grainfed steer over-the-hook indicator declined 2% year-on-year (or 10¢) in the December quarter to average 507¢/kg cwt. Diverging cattle saleyard and over-the-hook prices, combined with a rise in feed grain prices during the quarter, have weighed heavily on feedlot margins.

■ During the December quarter, wheat ex-Darling Downs averaged \$323/tonne, while barley averaged \$317/tonne, an increase of 48% and 68% year-on-year, respectively.

Figure 1: Cattle on feed

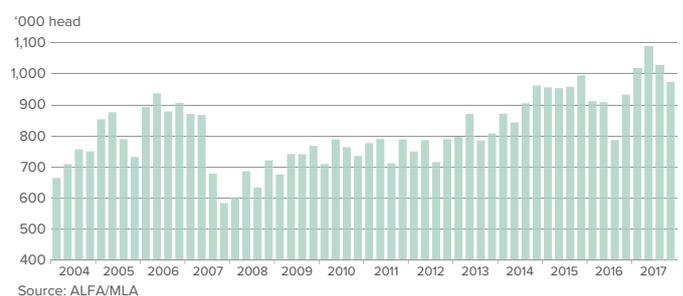


Figure 2: Quarterly grainfed beef exports

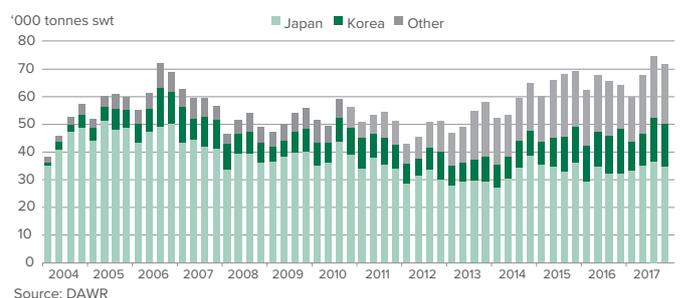


Table 1: MLA/ALFA Survey of feedlot activity

| | Feedlot capacity | | | Numbers on feed | | | Utilisation % | | |
|------------------|------------------|------------------|------------------|-----------------|------------------|----------------|---------------|-----------|-----------|
| | Dec-17 | Sep-17 | Dec-16 | Dec-17 | Sep-17 | Dec-16 | Dec-17 | Sep-17 | Dec-16 |
| NSW | 394,863 | 389,263 | 390,222 | 317,414 | 328,584 | 286,561 | 80 | 84 | 73 |
| Vic | 73,552 | 73,552 | 74,651 | 65,761 | 51,771 | 53,290 | 89 | 70 | 71 |
| Qld | 709,999 | 701,955 | 667,432 | 518,749 | 597,239 | 540,875 | 73 | 85 | 81 |
| SA | 40,937 | 40,637 | 40,307 | 20,959 | 26,218 | 21,747 | 51 | 65 | 54 |
| WA | 74,272 | 72,777 | 67,777 | 50,293 | 20,936 | 33,315 | 68 | 29 | 49 |
| Australia | 1,293,623 | 1,278,184 | 1,240,389 | 973,176 | 1,024,748 | 935,788 | 75 | 80 | 75 |

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

■ The A\$ averaged US76.8.9¢ for the December quarter, 3% lower than the September quarter. The A\$ came under pressure during the quarter as Australia's trade surplus narrowed, driven lower by a reduction in exports and higher imports. A resilient US dollar and a pullback in iron ore markets also underpinned the decline – at the beginning of December, the A\$ reached a 6-month low against the US\$.

■ For the December 2017 quarter, Australian grainfed beef exports totalled 71,161 tonnes swt, up 11% from the same period last year. Total grainfed exports for 2017 were the largest calendar year volume on record at 272,682 tonnes swt, a lift of 5% year-on-year.

■ Quarterly shipments to Japan increased 7% year-on-year, totalling 34,940 tonnes swt. Tight local supply combined with high prices and record numbers on feed in Australia helped support the lift. Full calendar year grainfed exports to Japan accounted for 49% of Australia's total – equal to that of 2015 and 2016 – at 142,057 tonnes swt.

Figure 3: Grainfed cattle turn-off

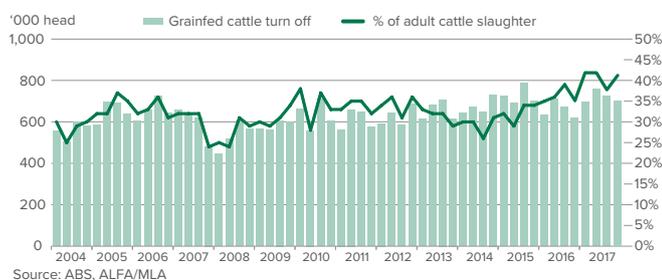


Figure 4: Feed grain and feeder steer prices

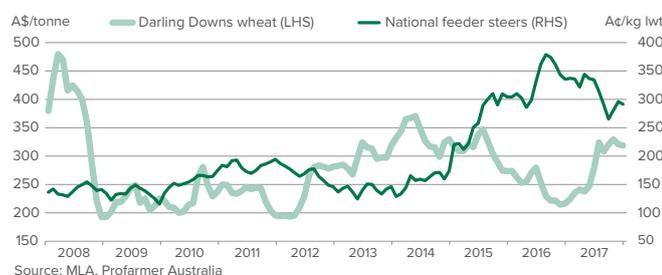


Figure 5: Queensland 100-day grainfed steer over-the-hook indicator



■ Grainfed exports to Korea in the December quarter declined 4% year-on-year, to 15,598 tonnes swt – albeit compared to a record high quarter the year prior. This brought the total for 2017 to 53,564 tonnes swt, 4% lower year-on-year. The growth in US production and therefore exports, combined with the tariff advantage held under KORUS (Korea-US Free Trade Agreement), were principal factors in Australia's lower export volumes to Korea.

■ Volumes to China lifted 44% from year-ago levels to, 8,134 tonnes swt for the December quarter. Total grainfed shipments in 2017 reached 26,515 tonnes swt, up 13% year-on-year. Chinese consumer demand for high quality and safe imported beef has continued to grow as China's economy becomes more consumption-driven, supported by growing urbanisation and rising disposable incomes.

Table 2: Numbers on feed by feedlot size

| | Dec-17 | Sep-17 | Dec-16 |
|---------------------|----------------|-----------|---------|
| Feedlot size (head) | | | |
| < 500 | 7,975 | 12,065 | 10,643 |
| 500-1,000 | 61,279 | 49,212 | 22,806 |
| 1,000-10,000 | 297,031 | 307,726 | 329,936 |
| >10,000 | 606,890 | 655,745 | 572,404 |
| Total | 973,176 | 1,024,748 | 935,788 |

Source: MLA/ALFA

Table 3: Quarterly cattle feedlot turn-off

| | Dec-17 | Sep-17 | Dec-16 |
|------------------|----------------|---------|---------|
| NSW | 203,024 | 192,131 | 155,492 |
| Vic | 42,012 | 49,871 | 31,980 |
| Qld | 401,886 | 437,949 | 408,315 |
| SA | 14,169 | 25,003 | 11,411 |
| WA | 47,743 | 25,827 | 11,108 |
| Australia | 708,834 | 730,781 | 618,307 |

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