MEAT & LIVESTOCK AUSTRALIA MARKET INFORMATION

Lot feeding brief

Results for the December quarter 2018 feedlot survey

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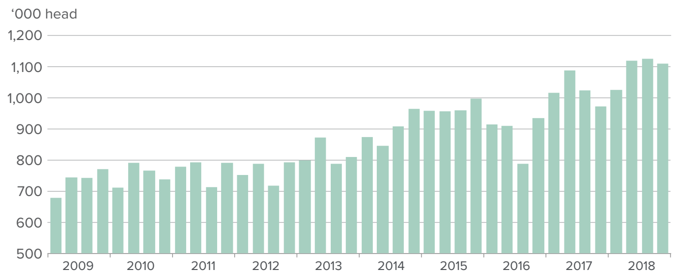
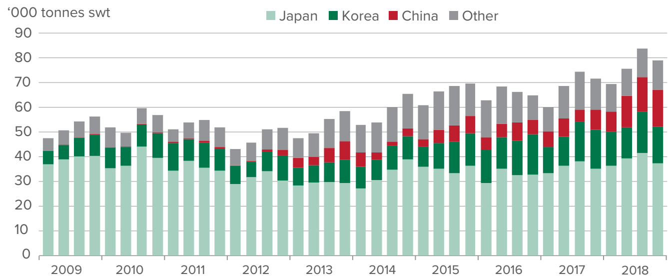
- Cattle on feed at the end of the December 2018 quarter declined almost 16,000 head (or 1%) from the September quarter, to 1,110,689 head. For the first time, numbers on feed remained above one million head during the entire calendar year.
- The national saleyard feeder steer indicator averaged 292¢/kg lwt during the December quarter, down 4% on the same period in 2017. After a brief rally during October and November, deteriorating seasonal conditions saw the indicator end 2018 at 283¢/kg lwt, down 8% year-on-year.
- The Queensland 100-day grainfed steer over-the-hook indicator rose 11% year-on-year (or 54¢) in the December quarter to average 561¢/kg cwt. Challenging conditions across the majority of supply regions, combined with high feed costs led to a supply shortage of quality finished cattle, while a declining A$ and consistent export demand continued to support OTH prices.
- During the December quarter, wheat ex-Darling Downs averaged $443/tonne, while barley averaged $423, an increase of 37% and 33% year-on-year, respectively. Consecutive years of poor harvests in the eastern states saw prices for wheat and barley double over a two-year period.

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 %		
	Dec-18	Sep-18	Dec-17	**Dec-18**	Sep-18	Dec-17	**Dec-18**	Sep-18	Dec-17
NSW	**393,012**	392,763	394,863	**326,322**	346,958	317,414	**83**	88	80
Vic	**76,551**	76,551	73,552	**73,173**	68,512	65,761	**96**	89	89
Qld	**725,911**	724,660	709,999	**631,286**	652,074	518,749	**87**	90	73
SA	**43,879**	43,879	40,937	**40,439**	34,526	20,959	**92**	79	51
WA	**68,077**	72,052	74,272	**39,469**	24,596	50,293	**58**	34	68
Australia	**1,307,430**	1,309,905	1,293,623	**1,110,689**	1,126,666	973,176	**85**	86	75

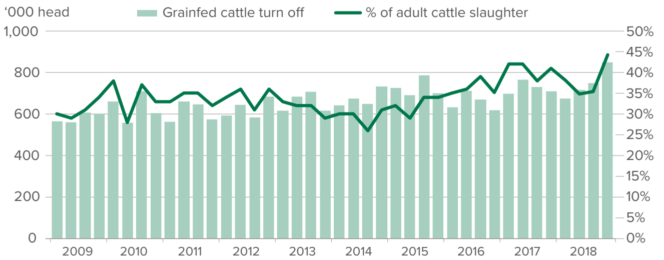
Source: MLA/ALFA – Feedlot capacity figures are provided by AUS-MEAT Limited (AUS-MEAT)

■ The A$ averaged US71.8¢ for the December quarter, 2% lower than the September quarter. Over the course of 2018, the A$ fell 10% against the US$. Major factors in the decline include the strength of the US$ and the widening yield spread between Australia and the US. Volatility in global markets also saw investors shift away from risk-assets such as the A$. Other ongoing issues centre around unresolved trade disputes between the US and China.

■ For the December 2018 quarter, Australian grainfed beef exports totalled 78,446 tonnes swt, up 10% from the same period last year. Total grainfed exports for 2018 were the largest calendar year volume on record at 305,497 tonnes swt, a lift of 12% year-on-year.

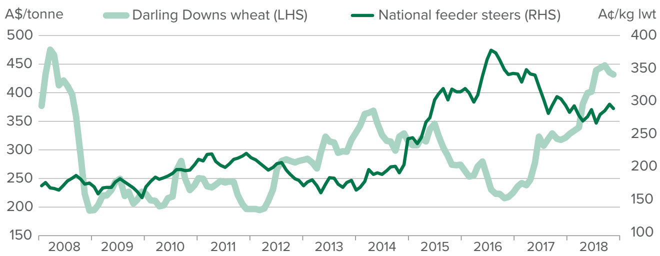
■ December quarter shipments to Japan increased 6% year-on-year, totalling 37,097 tonnes swt. Grainfed exports to Japan benefited from strong overall demand for beef, despite increased shipments from the US. Full calendar year grainfed exports to Japan accounted for 50% of Australia's total grainfed exports at 153,225 tonnes swt.

Figure 3: Grainfed cattle turn-off



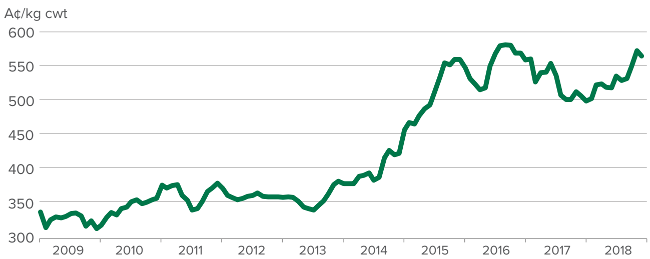
Source: ABS, ALFA/MLA

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

■ Grainfed exports to Korea in the December quarter declined 7% year-on-year, to 14,512 tonnes swt. However, a strong performance in previous quarters brought the total for 2018 to a record 57,598 tonnes swt, 8% higher year-on-year. While the Korea-Australia Free Trade Agreement (KAFTA) continues to reduce beef import tariffs, Australia has triggered the safeguard for the past four years, eliminating the benefits of tariff reductions and disadvantaging Australia against competitors, particularly the US.

■ Volumes to China lifted 84% from year-ago levels to, 14,935 tonnes swt for the December quarter. Total grainfed shipments in 2018 reached 49,471 tonnes swt, up 87% year-on-year. Over the past few years, China has emerged as global powerhouse for beef imports, with shipments increasing from a broad range of suppliers.

Table 2: Numbers on feed by feedlot size

Feedlot size (head)	**Dec-18**	Sep-18	Dec-17
< 500	**8,566**	11,505	7,975
500-1,000	**35,135**	44,186	61,279
1,000-10,000	**405,036**	408,688	397,031
>10,000	**661,952**	662,287	606,890
Total	**1,110,689**	1,126,666	973,176

Source: MLA/ALFA

Table 3: Quarterly cattle feedlot turn-off

	Dec-18	Sep-18	Dec-17
		Head	
NSW	**201,083**	194,346	203,024
Vic	**51,229**	35,612	42,012
Qld	**565,278**	468,746	401,886
SA	**23,657**	20,431	14,169
WA	**7,753**	29,444	47,743
Australia	**848,999**	748,579	708,834

Source: MLA/ALFA

Table 4: Feedlot turn-off

	FY2008	FY2017	**FY2018**
		Head	
NSW	598,104	796,366	**777,622**
Vic	157,577	160,051	**178,776**
Qld	1,099,405	1,637,252	**1,651,735**
SA	78,050	45,064	**78,929**
WA	133,173	104,161	**143,266**
Australia	2,066,309	2,742,827	**2,830,329**

Source: MLA/ALFA