MARKET INFORMATION

Lot feeding brief

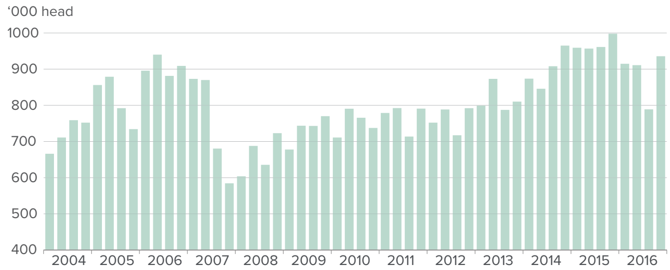
Results for the DECEMBER quarter 2016 feedlot survey

Jen Peart – Assistant Livestock and Meat Market Analyst – jpeart@mla.com.au

March 2017

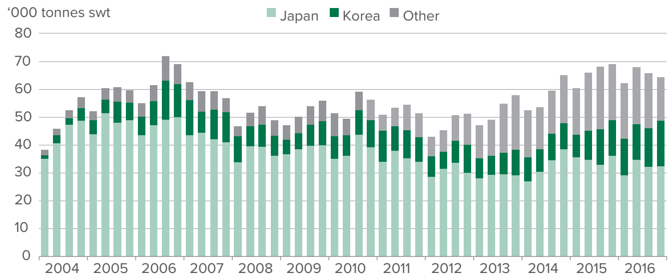
- Numbers on feed for the December quarter of 2016 lifted 19% from the previous quarter to 935,788 head nationally, however remained 6% below where they peaked in December 2015. This lift in was due in-part to the dry conditions across much of the eastern seaboard, coupled with an increase in capacity (particularly in South Australia) and a wet winter which restricted numbers throughout the September quarter.
- Strong competition from restockers saw cattle prices maintain their high levels through the quarter. The quarterly average for the domestic paddock feeder steer indicator and the national saleyard feeder steer indicator both increased 13% from year-ago levels, averaging 359.26¢/kg lwt and 354.71¢/kg lwt, respectively.
- Lower grain prices continue to partially offset higher cattle prices and are anticipated to remain low on the back of high domestic and global grain supplies.

Figure 1: Cattle on feed



Source: ALFA/MLA

Figure 2: Quarterly grainfed beef exports



Source: DA

Table 1: MLA/ALFA Survey of feedlot activity

	Feedlot capacity			Numbers on feed			Utilisation %		
	Dec-16	Sep-16	Dec-15	**Dec-16**	Sep-16	Dec-15	**Dec-16**	Sep-16	Dec-15
NSW	**390,222**	390,222	409,571	**286,561**	250,430	358,067	**73**	64	87
Vic	**74,651**	75,150	85,344	**53,290**	46,875	75,387	**71**	62	88
Qld	**667,432**	662,328	658,510	**540,875**	461,839	513,969	**81**	70	78
SA	**40,307**	33,298	39,619	**21,747**	9,757	30,738	**54**	29	78
WA	**67,777**	59,777	45,694	**33,315**	19,972	19,604	**49**	33	43
Australia	**1,240,389**	1,220,775	1,238,739	**935,788**	788,873	997,765	**75**	65	81

Source: MLA/ALFA

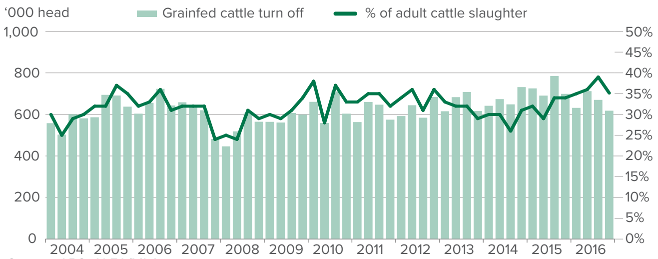
■ The A$ weakened over the December 2016 quarter as a result of a strengthening US$, averaging 74.9US¢, however was 4% higher year-on-year. Against the Korean Won, the A$ lifted 4% year-on-year, averaging 867.37₩ for the last quarter of 2016. In contrast, against the Yen, the A$ weakened 6% from year-ago levels, averaging 81.85¥.

■ Australian grainfed beef exports for the December quarter of 2016 eased 7% from year-ago levels, totalling 64,290 tonnes swt. This took total grainfed exports for 2016 to 260,386 tonnes swt, easing 1% from record high exports during 2015 which stemmed from the high numbers that were on feed during that period.

■ 2016 December quarter grainfed beef shipments to Japan declined 10% year-on-year, to 32,522 tonnes swt. Constrained by tighter Australian cattle supplies, coupled with greater competition from increasing US beef production, grainfed exports to Japan for 2016 reached 129,005 tonnes swt, back 8% year-on-year.

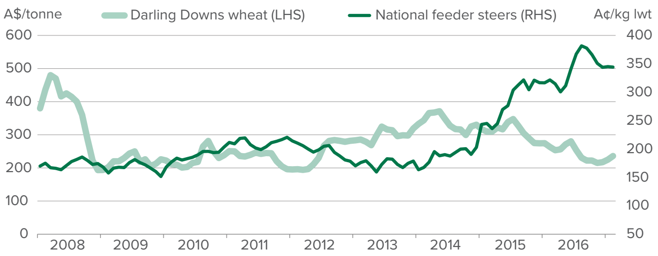
■ High Hanwoo beef prices in Korea and tight supplies of Australian grassfed beef have seen Australian grainfed exports to Korea continue to increase. Shipments for the 2016 December quarter lifted 26% to 16,238 tonnes swt, despite incurring ‘above safe guard’ tariffs of 40%. This pushed the 2016 total volume of grainfed beef exports to Korea to record levels, of 55,756 tonnes swt (up 26% year-on-year).

Figure 3: Grainfed cattle turn-off



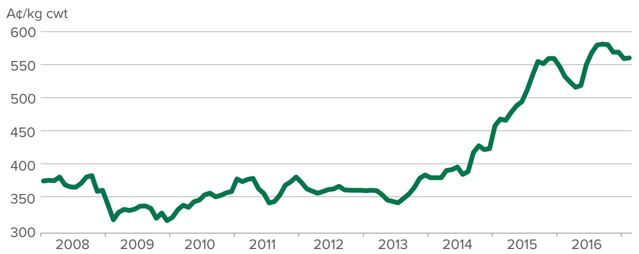
Source: ABS, ALFA/MLA

Figure 4: Feed grain and feeder steer prices



Source: ABS, ALFA/MLA

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



Source: MLA

■ Despite quarterly grainfed exports to China easing 18% year-on-year over the October-to-December period (5,656 tonnes swt), total volume for 2016 lifted 9%, with 23,557 tonnes swt exported. Volumes to the EU declined 25% for the December quarter however total volumes for the year declined only marginally year-on-year (back 1%) to 15,980 tonnes swt.

■ In the US, increasing domestic production has weakened demand for Australian imported product, which contributed to exports halving year-on-year in the final quarter of 2016, while total volumes for the year slipped 36% from 2015 to 9,770 tonnes swt.

■ Shipments to the Middle East for the quarter were down 43% (to 1,332 tonnes swt), while the total for the year eased 34% to 6,434 tonnes swt, with subdued oil prices, increased competition from Brazil and reduced tourism, impacting demand.

■ Firm economic growth, strong demand and a shortage of Australian grassfed product saw grainfed exports of predominantly manufacturing beef to the Philippines lift 11% for the quarter to 1,957 tonnes swt, taking the 2016 total to 8,377 tonnes swt, up 67% year-on-year.

Table 2: Numbers on feed by feedlot size

	Dec-16	Sep-16	Dec-15
		Feedlot size (head)	
< 500	**10,643**	13,845	11,851
500-1,000	**22,806**	39,834	32,823
1,000-10,000	**329,936**	270,819	341,355
>10,000	**572,404**	464,374	611,736
Total	**935,788**	788,873	997,765

Source: MLA/ALFA

Table 3: Quarterly cattle feedlot turn-off

	Dec-16	Sep-16	Dec-15
		Head	
NSW	**155,492**	226,828	210,286
Vic	**31,980**	40,351	60,765
Qld	**408,315**	367,528	399,377
SA	**11,411**	8,118	21,946
WA	**11,108**	27,279	6,693
Australia	**618,307**	670,105	699,067

Source: MLA/ALFA

Table 4: Feedlot turn-off

	FY2007	FY2015	**FY2016**
		Head	
NSW	746,350	832,500	**860,094**
Vic	223,617	200,157	**215,902**
Qld	1,448,374	1,583,644	**1,571,212**
SA	83,903	98,605	**78,106**
WA	166,566	81,084	**103,564**
Australia	2,668,810	2,795,989	**2,828,877**

Source: MLA/ALFA