MLA MARKET INFORMATION
MEAT & LIVESTOCK AUSTRALIA

Lot feeding brief

Results for the March quarter 2017 feedlot survey

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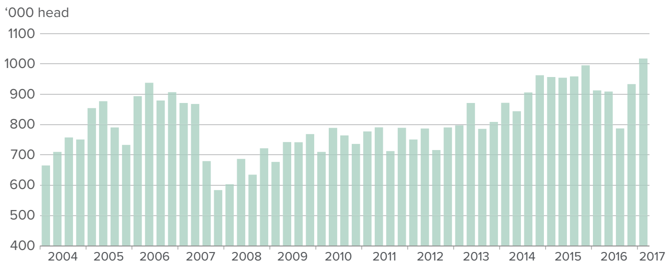
- Numbers on feed for the March 2017 quarter increased 8% from the December quarter to 1,016,000 head, with the tight availability of cattle, and high prices leading to lot feeders retaining the number of cattle on feed for longer. Dry conditions across much of Queensland, coupled with cheap grain prices have also supported the lift.

- Strong competition from restockers saw cattle prices maintain their high levels through the quarter, albeit easing slightly from December. The quarterly average domestic paddock feeder steer indicator was 347¢/kg lwt, up 11% from year-ago levels. The national saleyard feeder steer indicator remained unchanged compared to December quarter and also from year ago levels – averaging 337¢/kg lwt.

- 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.

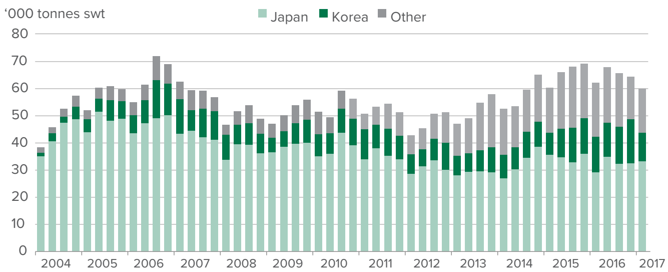
- The A$ ended the March 2017 quarter 4US¢ higher than the December quarter, reaching a peak of 77US¢ in mid-March, as political and economic uncertainty weakened the US$.

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 %		
	Mar-17	Dec-16	Sep-16	**Mar-17**	Dec-16	Mar-16	**Mar-17**	Dec-16	Mar-16
NSW	**389,662**	390,222	390,222	**329,170**	286,561	291,312	**84**	73	75
Vic	**74,652**	74,651	75,150	**60,008**	53,290	62,889	**80**	71	84
Qld	**667,432**	667,432	662,328	**556,886**	540,875	495,578	**83**	81	75
SA	**40,307**	40,307	33,298	**29,864**	21,747	25,146	**74**	54	76
WA	**67,777**	67,777	59,777	**40,548**	33,315	39,976	**60**	49	67
Australia	**1,239,830**	1,240,389	1,220,775	**1,016,475**	935,788	914,901	**82**	75	75

Source: MLA/ALFA

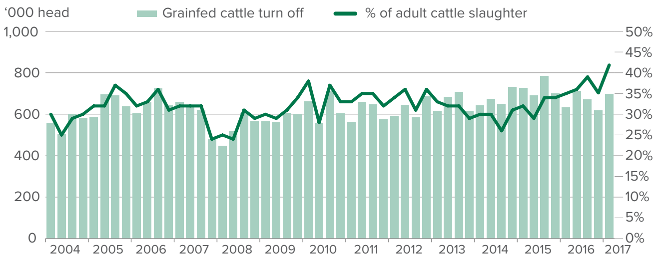
■ Against the Korean Won, the A$ remained relatively stable through the first quarter, opening 2017 at 867₩ before closing in March at 853₩. Similar stability was apparent against the Japanese Yen, as the A$ moved fractionally higher, finishing the quarter at 85¥, albeit 2% lower year-on-year.

■ Australian grainfed beef exports for the March 2017 quarter eased 4% from year-ago levels, totalling almost 60,000 tonnes swt. Grainfed exports for April were also back 9% year-on-year – totalling just over 19,000 tonnes swt.

■ March 2017 quarter grainfed beef exports to Japan increased 13% year-on-year, to 33,000 tonnes swt. Supported by growing demand for chilled grainfed product in the region and low domestic supplies, the increased volumes were heightened by end users looking to secure product as a result of limited grassfed beef availability. Furthermore, the tariff reduction in April under the Japan Australia Economic Partnership Agreement (JAEPA) will assist growth in this market moving forward.

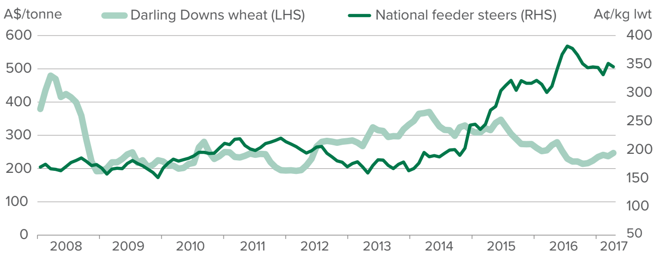
■ The Hanwoo herd in Korea has shown signs of recovery during the first quarter of 2017, and, when combined with ongoing supply constraints out of Australia, grainfed exports to Korea declined 20% year-on-year – albeit off a high base the previous year. Issues with regards to import financing and the growing presence of the US are also restricting export volumes to Korea.

Figure 3: Grainfed cattle turn-off



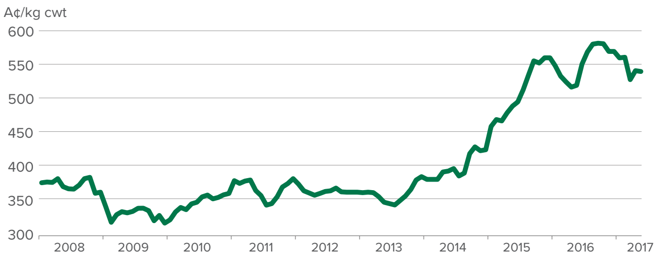
Source: ABS, ALFA/MLA

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 China lifted 29% year-on-year from January to March, totalling almost 9,000 tonnes swt. The increase in grainfed exports to China can be attributed to growing demand for higher quality product but also improved market access.

■ Increasing domestic production in the US has continued to weaken demand for Australian imported product, and Australian grainfed exports dropped 57% (to 1,444 tonnes swt) compared to the 2016 March quarter.

■ Shipments to the Middle East for the quarter declined 18% year-on-year – to 1,644 tonnes swt. Subdued oil prices in the region and growing competition from Brazil continues to impact demand.

■ The proportion of grainfed exports to total Australian beef exports for the March quarter reached 28% in 2017 – the equal highest proportion with that of 2007 which came as a result of a widespread dry period, that spurred an increased number of cattle placed on feed, and coincided with subdued US competition in Korea and Japan.

Table 2: Numbers on feed by feedlot size

Feedlot size (head)	**Mar-17**	Dec-16	Mar-16
< 500	**14,348**	10,643	12,218
500-1,000	**33,624**	22,806	46,877
1,000-10,000	**329,324**	329,936	340,535
>10,000	**639,178**	572,404	515,271
Total	**1,016,475**	935,788	914,901

Source: MLA/ALFA

Table 3: Quarterly cattle feedlot turn-off

	Mar-17	Dec-16	Mar-16
		Head	
NSW	**219,141**	155,492	206,195
Vic	**35,909**	31,980	43,549
Qld	**397,154**	408,315	329,172
SA	**5,985**	11,411	19,845
WA	**40,008**	11,108	32,965
Australia	**698,199**	618,307	631,726

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