MEAT & LIVESTOCK AUSTRALIA

MARKET INFORMATION

Lot feeding brief

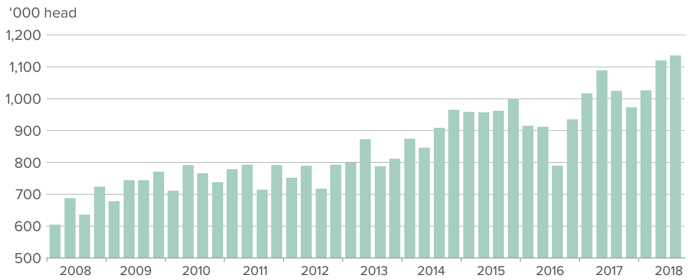
Results for the September quarter 2018 feedlot survey

Alex McIntosh – Market Analyst – amcIntosh@mla.com.au

November 2018

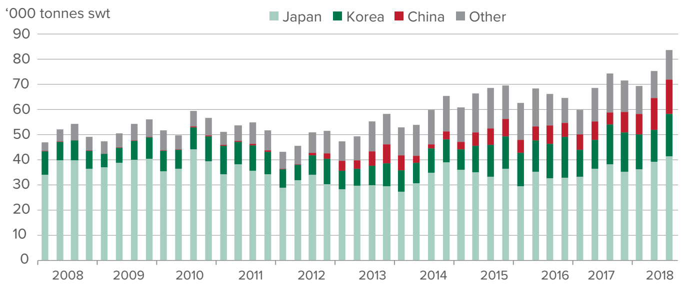
- Cattle on feed at the end of the September 2018 quarter surpassed the record set in the June quarter, rising to 1.13 million head, which was an increase of 6,000 head (or 1%).
- The national saleyard feeder steer indicator averaged 279¢/kg live weight (lwt) during the September quarter, up 1% on the previous quarter, but down 9% compared with the same period last year. Feeder prices proved to be less volatile than the wider young cattle market throughout the quarter. However, prices dipped to a three-year low in August, which was largely a reaction to rising grain prices.
- The Queensland 100-day grainfed steer over-the-hooks (OTH) indicator averaged 533¢/kg cwt in the September quarter, an increase of 3% (or 16¢) year-on-year. In contrast to the store cattle market, OTH indicators strengthened during the quarter, supported by rising Asian consumption and a depreciating A$.
- For the September quarter, wheat ex-Darling Downs averaged $433/tonne, while barley averaged $424/tonne, an increase of 36% and 37% year-on-year, respectively. Prices for some grains rose to near 10-year highs in August, as heightened demand collided with a supply shortage in eastern Australia.

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 %		
	Sep-18	Jun-18	Sep-17	Sep-18	Jun-18	Sep-17	Sep-18	Jun-18	Sep-17
NSW	392,763	392,143	389,263	346,958	351,821	328,584	88	90	84
Vic	76,551	76,551	73,552	68,512	70,965	51,771	89	93	70
Qld	724,660	716,522	701,955	652,074	629,493	597,239	90	88	85
SA	43,879	44,427	40,637	34,526	32,894	26,218	79	74	65
WA	72,052	71,752	72,777	24,596	35,285	20,936	34	49	29
Australia	1,309,905	1,301,395	1,278,184	1,126,666	1,120,459	1,024,748	86	86	80

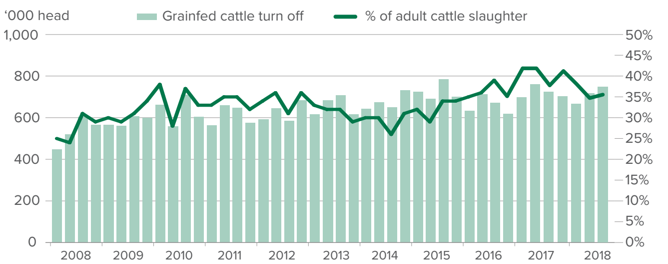
Source: MLA/ALFA – Feedlot capacity figures are provided by AUS-MEAT Limited (AUS-MEAT)

■ The Australian Dollar (A$) averaged US73.1¢ for the September quarter, 3% lower than the June quarter. The A$ fell to a two-year low of US71¢ on 12 September. The leading cause for the decline was the general strength of the US economy compared to other nations. Other factors in the decline relate to Australia's important trading partnership with China, whose economy is at risk of subdued growth in the wake of an escalating trade war with the US. The depreciating currency continues to strengthen the position of Australian beef exports globally.

■ For the September 2018 quarter, the volume of Australian grainfed beef exports broke the record set in the previous quarter, totalling 83,222 tonnes swt, up 13% from the same period last year. Grainfed exports contributed to 27% of total beef exports in the September quarter, compared to 25% in the June quarter.

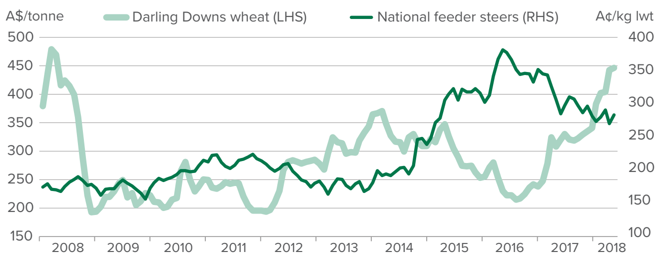
■ Shipments to China and Korea set new records during the quarter. Established markets such as Japan and Korea have continued to soak up the additional supply of grainfed product, alongside China, which has seen demand for both high and low quality imported beef surge from a broad base of supplying countries.

Figure 3: Grainfed cattle turn-off



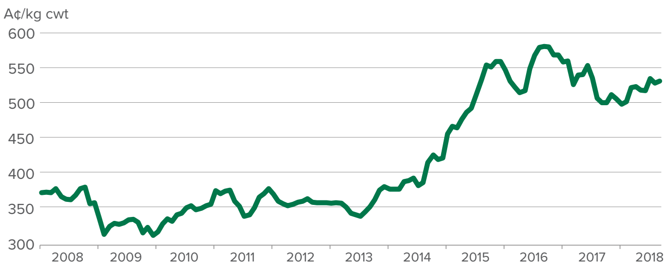
Source: ABS, ALFA/MLA

Figure 4: Feed grain and feeder steer prices



Source: MLA, Profarmer Australia

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



Source: MLA

■ Quarterly grainfed beef shipments to Japan increased 9% year-on-year, totalling 41,150 tonnes swt. Japan accounted for almost 50% of Australian grainfed exports during the quarter. Australian beef exports continue to benefit from growing overall demand in the Japanese market.

■ Grainfed exports to Korea in the September quarter rose 6% year-on-year, to 16,734 tonnes swt. This saw Korea resume its position as Australia's second largest market for grainfed beef.

■ Volumes to China lifted 184% from year-ago levels, to 13,768 tonnes swt for the September quarter. While the volume was a new record for China, technical barriers continue to limit the number of Australian plants that are eligible to export chilled product there. The chilled component accounted for just 13% of total grainfed exports to China during the quarter.

Table 2: Numbers on feed by feedlot size

Feedlot size (head)	Sep-18	Jun-18	Sep-17
< 500	11,505	11,092	12,065
500-1,000	44,186	37,900	49,212
1,000-10,000	408,688	408,386	307,726
>10,000	662,287	663,081	655,745
Total	1,126,666	1,120,459	1,024,748

Source: MLA/ALFA

Table 3: Quarterly cattle feedlot turn-off

	Sep-18	Jun-18	Sep-17
		Head	
NSW	194,346	187,463	192,131
Vic	35,612	46,027	49,871
Qld	468,746	420,512	437,949
SA	20,431	22,061	25,003
WA	29,444	40,674	25,827
Australia	748,579	716,738	730,781

Source: MLA/ALFA

Table 4: Feedlot turn-off

	2007–08	2016–17	2017–18
		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