MARKET INFORMATION

Lot feeding brief

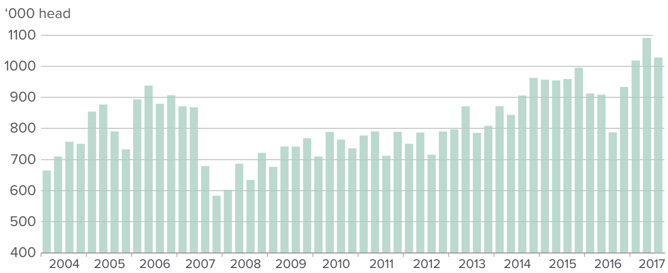
Results for the September quarter 2017 feedlot survey

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

November 2017

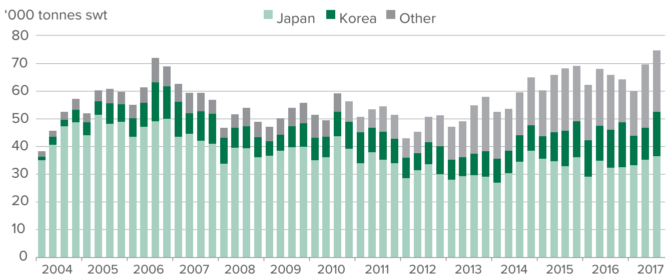
- Numbers on feed for the September 2017 quarter declined 6% from the June quarter, totalling just under 1,025,000 head. This represents the third consecutive quarter where numbers surpassed one million head.
- Deteriorating pasture conditions across much of NSW and Queensland during the quarter saw restocker buying activity ease due to limited rainfall. However, the availability of light weight stock through markets remained limited with the herd rebuilding cycle still underway.
- A decline in cattle prices in the September quarter, was partially offset by grain prices moving in the opposite direction during the same period.
- The national saleyard feeder steer indicator averaged 304.12¢/kg lwt during the September quarter, 12% (42¢) lower quarter-on-quarter and back 19% compared with the same period last year however remaining 20% above the five-year September quarter average.
- The A$ averaged US78.9¢ for the September quarter, 5% higher than the June quarter. Supported by a weaker US dollar, the A$ breached 81US¢ in September – the highest level since May 2015.

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-17	Jun-17	Sep-16	**Sep-17**	Jun-17	Sep-16	**Sep-17**	Jun-17	Sep-16
NSW	**389,263**	389,263	390,222	**328,584**	338,406	250,430	**84**	87	64
Vic	**73,552**	73,552	75,150	**51,771**	64,184	46,875	**70**	87	62
Qld	**701,955**	695,163	662,328	**597,239**	626,580	461,839	**85**	90	70
SA	**40,637**	40,637	33,298	**26,218**	34,235	9,757	**65**	84	29
WA	**72,777**	67,777	59,777	**20,936**	25,668	19,972	**29**	38	33
Australia	**1,278,184**	1,266,392	1,220,775	**1,024,748**	1,089,072	788,873	**80**	86	65

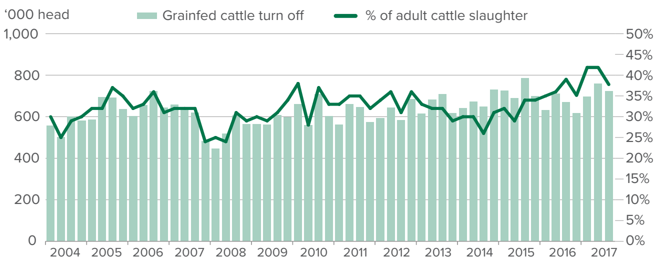
Source: MLA/ALFA - Feedlot Capacity figures are provided by AUS-MEAT Limited (AUS-MEAT)

■ For the September 2017 quarter, Australian grainfed beef exports totalled 73,843 tonnes swt – the largest quarter on record – up 12% from the same period in 2016. This brings the total for 2017 to 201,522 tonnes swt, an increase of 3% or 5,426 tonnes swt compared with the same period last year.

■ Quarterly shipments to Japan increased by 17% year-on-year, totalling 37,908 tonnes swt. For the calendar year-to-September exports are up 11% year-on-year, at 107,117 tonnes swt. High domestic Wagyu prices and strong demand for high quality grainfed product has underpinned the year-on-year increase.

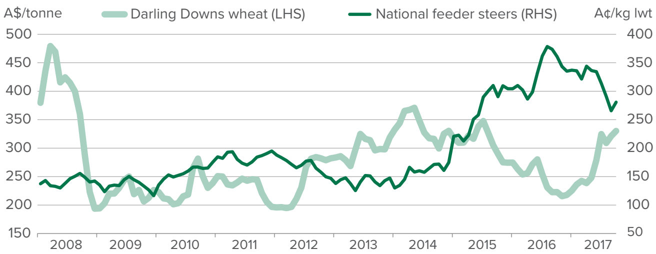
■ Volumes to Korea lifted 15% from year-ago levels to 15,828 tonnes swt for the September quarter. Export volumes for the year to September are 37,966 tonnes swt, 4% lower than the corresponding period in 2016. Issues with regards to import financing and greater competition from an increase in US production and therefore exports have also restricted shipments 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 reached 6,533 tonnes swt, a decline of 19% on the September 2016 quarter. Shipments for the year-to-date reached 21,755 tonnes swt, up 8% from year-ago levels. Demand in China for high quality beef remains robust supported by a growing high end foodservice market.

■ Wheat ex-Darling Downs averaged $318.61/tonne, while barley averaged $308.46, an increase of 35% and 40% year-on-year, respectively.

■ Combined Ex-Darling Downs grain prices average 22% higher than the June quarter, as a result of well below average rainfall in most cropping regions in July and August negatively impacting crop yields. ABARES in the September Agricultural Commodities Report forecast total winter crop production to decrease 39%.

Table 2: Numbers on feed by feedlot size

	Sep-17	Jun-17	Sep-16
Feedlot size (head)			
< 500	**12,065**	15,454	13,845
500-1,000	**49,212**	43,323	39,834
1,000-10,000	**307,726**	334,947	270,819
>10,000	**655,745**	695,349	464,374
Total	**1,024,748**	1,089,072	788,873

Source: MLA/ALFA

Table 3: Quarterly cattle feedlot turn-off

	Sep-17	Jun-17	Sep-16
NSW	**192,131**	194,905	226,828
Vic	**49,871**	51,811	40,351
Qld	**437,949**	464,255	367,528
SA	**25,003**	19,480	8,118
WA	**25,827**	25,766	27,279
Australia	**730,781**	756,216	670,105

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