

October 31st, 2024

Key Points

- OTH goat prices recovering, align strongly with rampant US exports à goats were the first market to fall in H2 2022 and generally lead the market on price change.
- Live export demand remains solid at present, tighter supply in the northern market (Darwin) has seen boats shifted to the east coast port of Townsville to fill supply for Indonesian orders.
- Feeder margins on 100-day export steer are favourable at present, as feedlots look to pull levers other than weights like feed efficiency and Days on feed to further extend margins.

Goats & a Lead indicator

- In 2024 based on NLRS, goat slaughter has already reached its highest level on record, with 2 months remaining in the year.
- **OTH goat prices 12-16kg based on October 2024 monthly values, are in the 57th percentile since OTH records began in 2003 – although are 245c/kg cwt or 47% below the 10-year average.**
 - OTH Goat prices have recovered by 59% or 122c/kg cwt since October 2023.
- **Australia exports on average 55-60% of its goatmeat each year to the US. In 2023, YTD goat exports to the US east coast have lifted 122% YTD YoY, replacing the hole a lack of Chinese demand has left for goat product in 2024.**
- Why all of this is relevant and important, is because goat prices softening in 2022 from their record highs of \$10/kg cwt were actually a lead indicator for the rest of the market to follow.
- **Goat exports to the US and subsequently overall goat prices have recovered strongly as the US ethnic consumer switches out of beef back into goatmeat as cost of living pressures bite and Australian goat is a cheaper protein alternative to US domestic beef.**
 - As the true affects of US domestic beef production declining emerge, the signals are there for a continued recovery in goat prices despite slaughter and production volumes performing very well.
 - Watch the goat market moving forwards, higher US demand at the same time as supply reducing (over time) will support market prices. This also applies to the mutton market when consumers return to Australian mutton over US domestic beef.

Supply

- Plentiful availability of Angus in northern NSW continue to flow, pressuring the seasonal spread of Angus over flatback cattle – same applies for F1's.
- Slaughter continues to strengthen, with processors (based on NLRS) pushing their best weekly kill since early January 2020 at 145,000 head.
 - Seemingly, plants after some tumultuous weeks with disruptions are finding their groove with plenty of cattle in front.

- It wouldn't surprise me if the overall national number finds another couple of notches higher before the end of 2024.
- **Watch SA kill numbers when ABS reports in 3 weeks time, NLRS kill figures look significantly lower than ABS actuals, this should assist Q3 kill figures to further lift.**
- **NT Live exporters are finding themselves a little shorter on supply than they'd like with boats moving across to Townsville to fill demand from Indonesia for public holidays in 2025 post feeding.**

Demand

- **Feedlot's are well placed at present with current bought cattle supporting a profitable trade, (generally) even by inflating spot and forwards values to provide a buffer, margins look good.**
- The disparity or premium for heavier feeder cattle has certainly eroded compared to winter – plenty of conversations this week discussing the lack of demand from feeders for heavy steers due to the higher supply and how the numbers stack up.
- Live export demand is solid at present, cattle supply out of the NT floodplains hasn't yet kicked into gear and for the Darwin feeder price this meant its prices have lifted in the vicinity of 20c/kg lwt in the past 3-4 weeks.
- **Will the hotter, drier weather due in the next 10 days take the sting out of restocker demand? I drove Sydney – Orange – Wellington – Coolah – Nundle – Sydney last week and there's a lot of grass available although its starting to hay off now.**

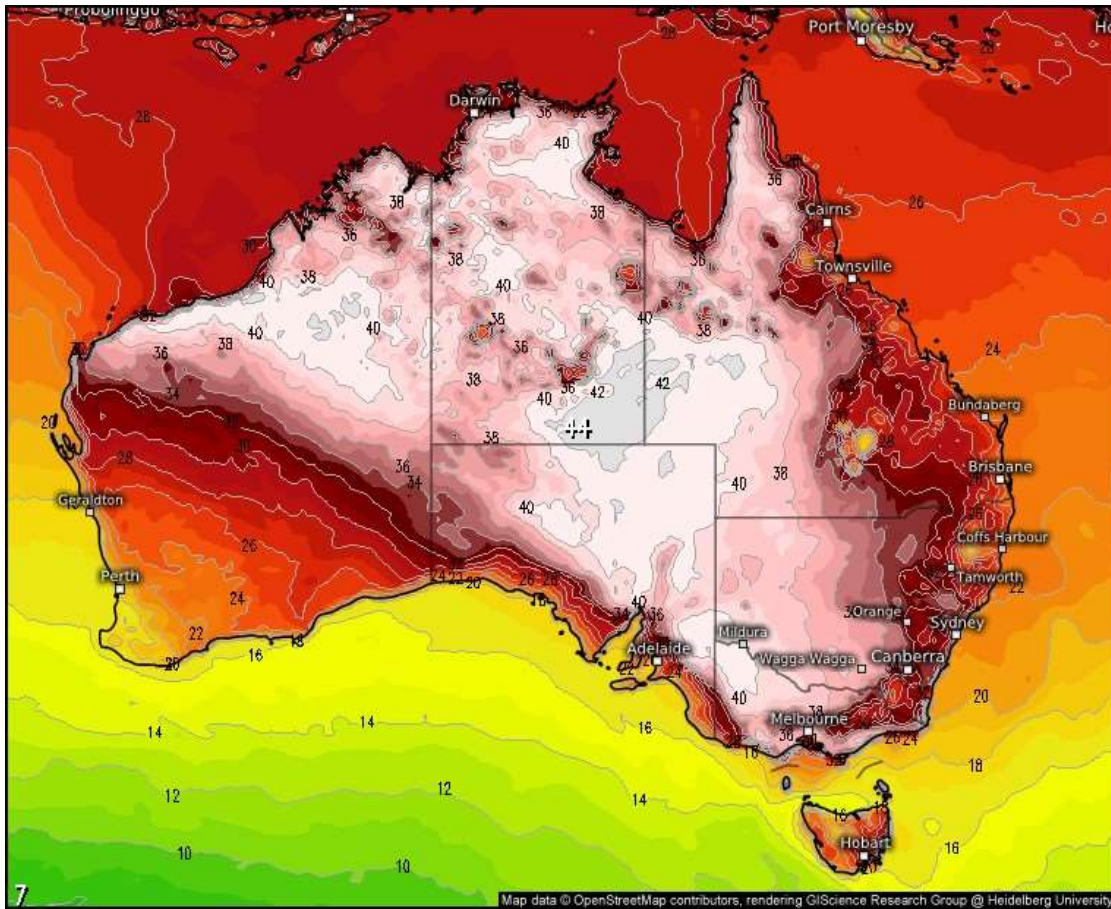
Price

- Restocker heifers back in vogue all of a sudden... Nationally heifers up 13c/kg lwt this week.
- Premium for heavier feeder cattle falling at a rate of knots, plentiful supply of heavier drafts is shifting this spread back to what's considered "normal", which is a discount.
 - **Market conditions, cattle supply and ration cost dictate where this premium sits, the spread is changing now as feedlots are extracting margin elsewhere with the levers they can pull, like DOF and feed efficiency.**
- If feedlots are comfortably covered and operating hand to mouth, we need to see a material shift in A) weather pattern or B) supply to adjust current rates – neither of which look likely with a generally clear 10 days in front of us, this also applies for processors.

Weather

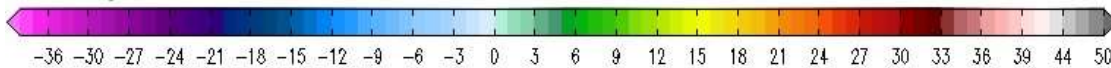
- Some isolated thunderstorms throughout QLD were the only real weather event on the mainland this week – which did disrupt some supply. The western half of Tassie continues to enjoy solid rainfall events.
- A hot week is in order for most of the country over the next week, with little in the way of rainfall, 7 day GFS temperature forecast below.

- Its these kinds of successive weeks of hot weather which can have a negative impact on the market through changing sentiment and wariness from producers. Keep an eye on this as we enter the last 8 weeks of 2024.
- Fire danger is a risk with the kind of heat and winds forecast. The next major cycle is due week 2 November onwards where a trough from the west impacting southern Australia and another the Gulf is suggesting heavier thunderstorms for eastern QLD.



Temperature (°C)

Valid for
Thu 11/07/2024, 07:00am CET



Australia
GFS (15 days) from 10/30/2024/18z

