October 25, 2024

Key Points

- Restocker steers in the US at present are averaging A$2,437 / head, and feeder steers averaging A$8.35/kg lwt.
- October beef exports estimates due out late next week at 122-132,000 metric tonnes, with 2024 on track for over 1.3 million tonnes of beef to be shipped overseas.
- Strong supplies of feeder cattle placing downward pressure on prices

Grain Harvest

- Harvest has kicked off in northern NSW, following the earlier start in QLD in mid-September.
- **The major grain growing areas of the Moree shire are pulling some serious tonnes, up to 8 t/ha in places with Walgett not far off getting going.**
- Why this is important, grain prices are feeling the pressure as harvest gets going, this should aid feedlots in ration price and in turn assisting margin if fed cattle prices are supportive. It's a big if though.

ABS Reporting

- On November 19 ABS report Q3 slaughter and production figures. It still surprises me that as an industry we continue to accept mediocre reporting timelines. No one raises this delayed reporting as something of importance, or the industry/peak bodies don't.
    - Prior to COVID the data was released monthly à seemingly the ABS can report all sorts of data on the broader economy and publish it regularly, take a look at their website and you'll see what I mean. But they can't report these critical production/slaughter numbers for Agriculture… go figure.
    - DAFF releases monthly livestock & boxed meat exports – why can't ABS do the same?
- Slaughter – the FSR will again be a point of discussion as to whether the herds liquidating or not, but the male kill numbers should further kick into gear as cattle off crop and out of the north move.
    - **Expect to see both the actual and % numbers for females processed in the September quarter decline – females are held back as calving begins in the southern herd and in the north, most cows have been drafted off and moved in first round musters**
    - Q4 should be the low in female kill numbers.

US Update

- Fed cattle carcase weights hit a new height last week à the US feedyards continue to whack on the weight, with current crush spread margins very attractive for feedlots with cheap corn and fed (Live cattle futures) cattle prices supporting this.
- **Restocker steers last week across the US averaged A$9.75/kg lwt… let that sink in. On a 250kg steer back to the paddock, that's A$2,437/head on average for a restocker steer..**

  - Imagine where restocker prices may go in the US if and when widespread, rebuild encouraging rain tightens supply and drives producer demand.. I wouldn't put A$13/kg + out of the question.
- **Feeder steers based on Feeder Cattle futures, are currently worth A$8.35/kg lwt – on a 450kg steer, that's A$3,760/head on average.**
- September feedlot report out overnight (tonight) à early market expectations are for a 4% drop in placements Year-on-Year. This may be the first we're seeing in a genuine reduction in feedlot placements, this looks more to be a reduction of actual cattle supply than any real rebuild, yet.
  - October/November feedlot report will indicate whether this is a trend or an anomly.

Supply

- **Early estimates for October beef exports due out late next week indicate monthly shipments should be 122-132,000 metric tonnes, placing it ahead of the YTD 2015 figures and higher than the full calendar year 2023 volumes with 2 months to go.**
  - These volumes place 2024 on track to tip 1.300 million metric tonnes for beef exports, the highest on record.
- I was a week early on the supply front returning to pre long weekend levels, evidently the solid rain in VIC & NSW late last week into the weekend encouraged a reduction, particularly in the yards.
  - There's plenty of paddock cattle continuing to flow, you can see QLD feeder prices out of the yards (generally) are wearing the pressure of higher supply, the QLD feeder indicator down 20c this week to 329c/kg lwt.
- Slaughter rebounded solidly post long weekend, reaching its highest level (based on NLRS) since W3 January 2020.
- Looking ahead à a generally dry week just gone should see numbers ramp back up again next week for the saleyards, paddock cattle will continue to move. We should see a strong end to the year in terms of slaughter also.

Demand

- Demand firmed a little this week, restockers a little more active in the market place, which has kind of "stabilised" the decline in prices seen over the past month.
- Feeders have good coverage in the market at present, forwards to mid November à a rainfall event may change that but the coverage feedlots have supports the softer pricing seen in the market due to higher supplies.
- **I spoke last week of a softening in demand or price premiums for heavy cattle, this is true for NSW where we continue to see larger supply of heavy feeders come forwards limiting demand whereas QLD heavier feeder supply is running a little short at the minute and prices are reflecting this, heavier feeders performing signficantly better than the lighter drafts with weight important for buyers.**

Prices

- Flat to softer across the board again this week. Higher supply is weighing on feedlot cattle particularly.
- **Processor cows may find some support over November if the US countercyclical demand for grinding beef continues to hold firm, higher CL prices will support a better margin for processors which in turn should aid demand across the board for cow prices.**
- A big rainband in VIC last week did very little to change its tune for that market as summer edges closer and a poor winter rainfall period does little to encourage buying.
- Looking ahead à prices should remain pressured. We may see some markets find some positive notes next week particularly for QLD with a rainband forecast although generally I see business as usual like we've seen the last few weeks.

Weather

- Some more falls for northern NSW that stretches into SE and central QLD next week. Otherwise a generally drier outlook ahead, this will aid the continuing flow and build of cattle into November.
- ECMWF 7 day total precipitation forecast below.