

AUSTRALIAN CATTLE UPDATE



The EYCI has declined

11%

since the start of June

Cattle slaughter for the year to May is

12.5%

lower than in 2016

Beef exports for the year to May are

11.8%

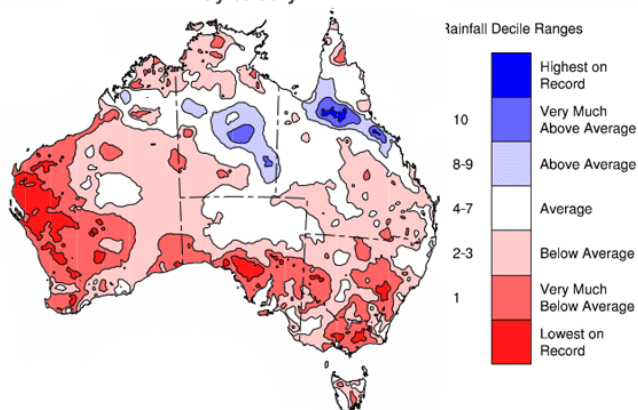
lower than in 2016

After record breaking prices and tight supply in 2016, the Australian cattle industry is now sitting in a position not seen since 2014, with prices dipping below those seen one year ago and slaughter beginning to trend higher.

Rainfall in 2017 has been below average, with the second driest June on record. Rain in parts of the country in July has brought some relief but drier than average conditions are forecast to continue for southern Australia. The Indian Ocean Dipole is moving towards a positive state which is associated with below average rainfall in southern Australia. Dry conditions have slowed restocker demand, a trend likely to continue if the dry outlook eventuates.

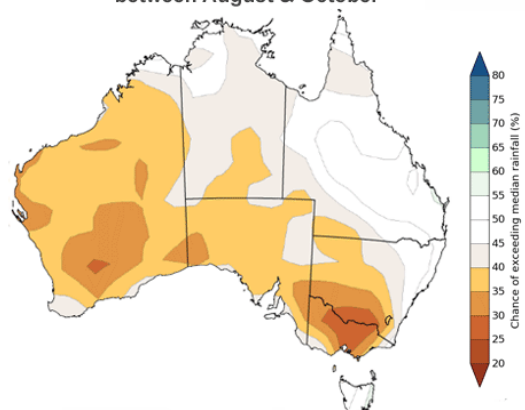
Beef exports for the year to May are trending below 2016 with volume down 11.8%. A 2.8% increase in the dollar per tonne value has meant the value of exports is only 9.1% lower. The largest decrease in exports is in the US where volume is down 42%. Volumes to other major markets are down slightly with the exception of Japan (+4%). Increased production in the US has led to more exports to Japan and South Korea. Production is likely to increase and with relatively lower prices for US beef, competition in these markets will continue to grow.

Recent rainfall decile ranges for May to July



Source: Bureau of Meteorology

Rainfall: chance of exceeding the median between August & October



Source: Bureau of Meteorology

PRICE

	Current (28th Jul)	July 2016	Five-year average	80th percentile	20th percentile
Eastern young cattle indicator (c/kg cwt)					
EYCI	584	674	458	614	325
Trade steers 330-400kg (c/kg lwt)					
NSW	322	372	259	333	192
QLD	302	343	243	320	178
SA	316	378	245	320	176
TAS	300	311	238	313	180
VIC	315	363	254	331	189
WA	280	328	266	315	215
Live export feeder steers (c/kg lwt)					
NT	320	280	257	340	185
US 90CL import price (Ac/kg CIF)					
US 90CL	590	618	558	647	449
Australian dollar					
AUD/USD	0.8	0.75	0.85	0.94	0.75

Data: MLA,RBA

The Eastern Young Cattle Indicator (EYCI) has fallen 11% since the start of June when dry conditions and a dry outlook cooled restocker demand which was the most significant driver of high prices.

Prices are likely to continue to steadily trend lower with below average rainfall subduing restocker demand and also leading to increased slaughter. Restockers will still be somewhat active when

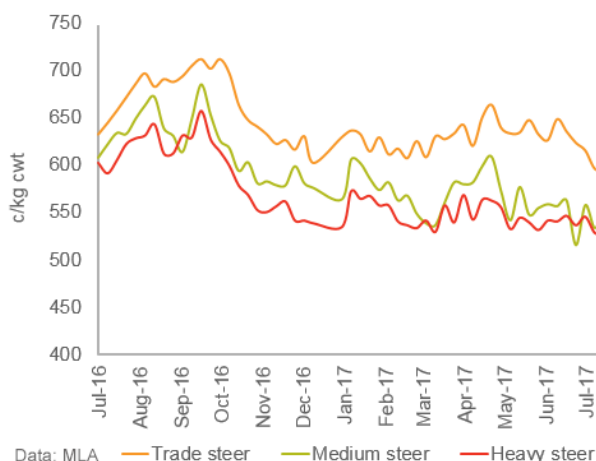
pasture conditions allow, but not to the same extent as 2016.

The price of lean beef imported to the US has rallied in the first half of 2017. Increasing production levels in the US is likely to result in cattle prices trending lower for the remainder of 2017, but tight supplies of imported beef should provide some support to the import price.

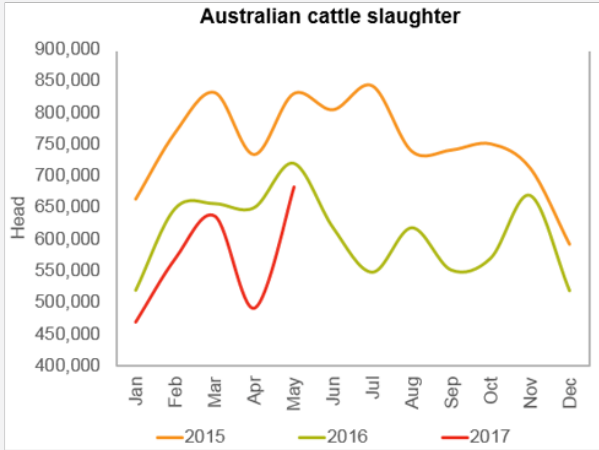
Domestic vs export price indicators



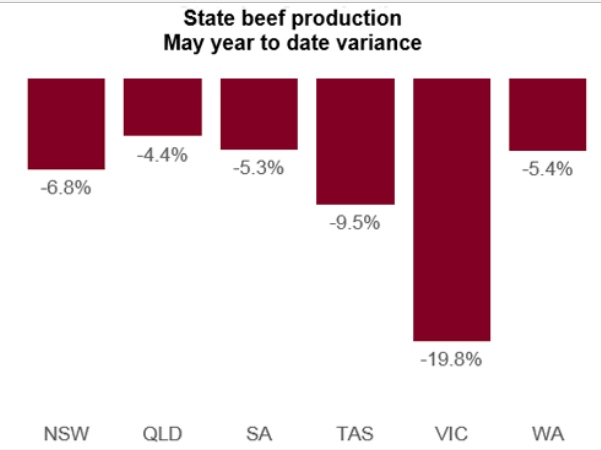
National saleyard indicator prices



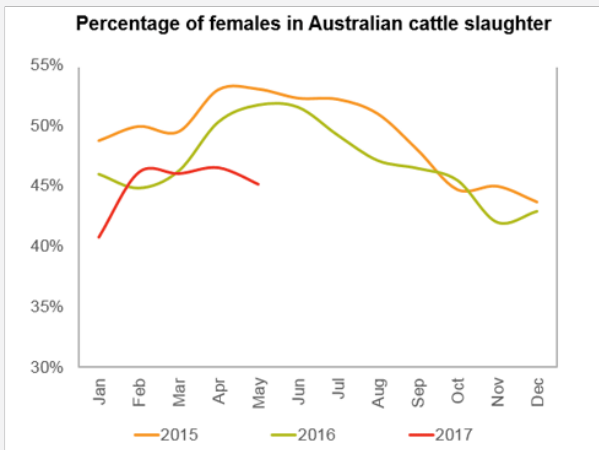
PRODUCTION



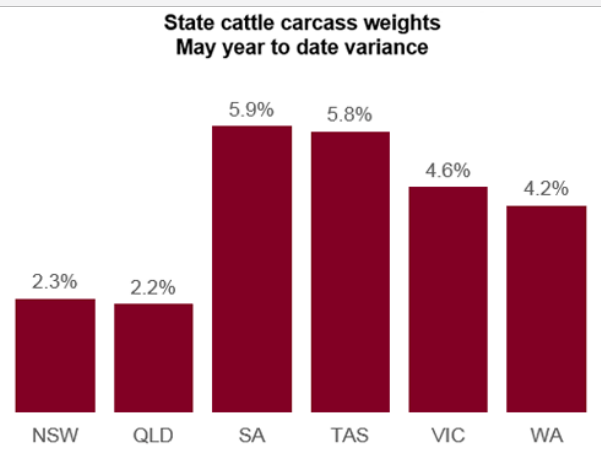
Data: MLA



Data: MLA



Data: MLA



Data: MLA

Cattle slaughter for the year to May is 12.5% lower than the same period in 2016. Beef production is 8% lower with increasing average carcass weights partially offsetting lower slaughter. Carcass weights are 3.4% heavier compared to 2016, a result of fewer females in the national slaughter (an average of 44.9% so far in 2017 compared to 47.8% in 2016) and greater numbers on feed.

After trending lower year on year from January to May, eastern states weekly slaughter figures appear to have turned a corner in mid-June and now sit above levels recorded at this time last year. The exceptionally tight supply of 2016 is not likely to be repeated, suggesting slaughter rates will continue to trend above year ago levels for the remainder of 2017. It is unlikely slaughter rates will increase significantly given the relatively low size of the national herd.

TRADE & DEMAND

Value of beef exports to Japan are

14%

higher than 2016

Value of beef exports to USA are

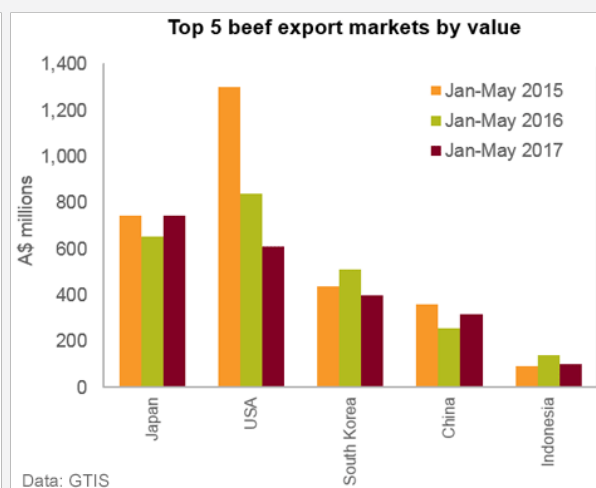
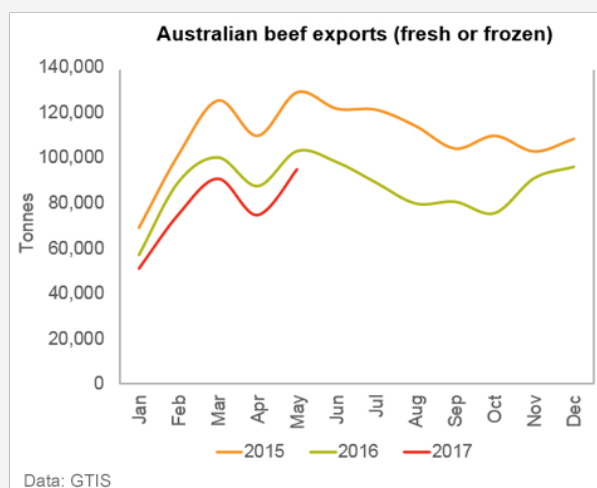
27%

lower than 2016

Live cattle exports for the year to May are

37%

lower than in 2016



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