

THE 3R MARKET REPORT

The Monthly Cattle Market Newsletter of 3R Livestock



MONTHLY SUMMARY

EYCI Open: \$526.5c

EYCI Close: \$468.75c

Jan Movement: -\$57.75c (Down 11%)

Feeder Yearling Steer: \$269c (Down 5%)

Medium Cow: \$191.2c (Up 5%)

EASTERN YOUNG CATTLE INDICATOR

The Eastern Young Cattle Indicator (EYCI) is a weighted average of 24 young cattle types recorded from 26 saleyards across Australia's Eastern Seaboard (QLD, NSW & Vic). The EYCI is a carcass weight equivalent number calculated using a 55% yield of liveweight.

The strong momentum established in the last quarter of 2018 was quickly forgotten as the market returned in 2019. Since closing in mid December for the Christmas break brutal weather conditions plagued much of Australia with soaring temperatures and very little rain. Overall the market declined \$57.75c or 11% to close at \$468.75c.

In 2016 MLA published data suggesting that the year on year movement in January was closely correlated to the market movement for the remainder of the year. In this case our 11% drop does not bode well for 2019 however any relief from the drought and overall strength in export markets may provide reason for optimism. Noting that the last drought in 2013/14 saw the markets fall to levels well below current levels.



MLA 2019 INDUSTRY PROJECTIONS

This week saw Meat & Livestock Australia (MLA) release their forecasts for the 2019 year. The highlights of the report included;

1. 3.8% fall in National Herd to 26.2M - reversing all herd rebuild post the 2013/14 drought;
2. 7.6M Head Slaughter - down 3% from 2018;
3. 2% fall in Average Carcase Weights due to more cows heading to slaughter and higher feedlot ration costs;
4. Prices to remain suppressed whilst the dry conditions persevere but support from export markets is firm;
5. Feedlots to remain at capacity while young cattle supply remains abundant and the hope of a reasonable summer crop - a harvest under expectations or another poor winter cropping season leaves the market vulnerable to reduce feedlot entries;
6. Retail beef at Domestic level remains at record high prices (\$19.33kg avg) - any economic pressure in the economy will likely result in falling consumption as households adjust their budgets;
7. International export markets continue to value Australian beef however major competitors, USA & South America, are approaching the peak of their production cycle and competition for market share remains fierce.

Source - MLA Industry Projections 2019

This report is prepared for information purposes only and should not be relied upon.

Our take -

Drought remains the key factor in 2019. The Australian herd has returned to record lows and the set up is certainly reminiscent of breakout of 2015-16 where the return of Restocker demand drove the market to gain nearly 100% from late 2014 to mid 2016. The set up this time looks to have the benefit of solid (volume & value) international beef markets and the prediction of the EYCI challenging the 2016 highs looks likely.

In 2018 cow slaughter again ran at record highs. The availability of quality female breeders is likely to run low upon a genuine restocking effort.