

3R MARKET REPORT

Ringling the Closing Bell on 2018



Eastern Young Cattle Indicator (EYCI)

The EYCI finished the year at \$526.5c up \$11.5c (2%) in the final week. The prospect of widespread rainfall across the Eastern Seaboard has given producers optimism of a change in fortunes and an eye is firmly fixed on the potential upside for livestock price upon a general seasonal improvement.

The corresponding week last year saw the EYCI close at \$569.75c therefore we remain 7.5% below this level however perhaps more noteworthy, the market has risen 18% from the lows reached in mid August 2018. Further rain will assist and subsequent increased Restocker activity is expected to drive further growth. 2018 was a year few of us will remember fondly but perhaps if nothing else it has left us with a firm upward trajectory for the coming year.

Processor Throughput

Not surprisingly slaughter numbers rose significantly in 2018 as drought dealt its cruel hand to many parts of eastern Australia. Mecardo reports this week that in the year to October over 500,000 additional head (12% increase) had exited the system. Any herd rebuild post the 2013-14 drought has now been eroded giving real upside to cattle prices in 2019.

MLA Household Earnings Research

Recent statistics from MLA have been conducted on the annual disposable income levels of key Australian export markets. Using the level of \$35,000 USD (a sensible level at which a consumer has ability to buy imported beef) the statistics present some interesting findings. Under this metric Australia has 9.9M households, comparatively the EU leads the world with 121M households with the USA with 86M. On the other end of spectrum is China with 12.5M - considering the expectation of an explosion in the global middle class (+3M people by 2050) the potential for Australian beef is incredible. In the interim the domestic market continues as our cornerstone.

Closing Thoughts

While 2018 was a year many of us will remember for all the challenges it left us with optimism for the years ahead. Reasons for hope include;

- ✓ Despite the record breaking drought the livestock markets remained remarkably firm. Even at the lowest point in August 2018 the EYCI remained a remarkable 60% above the low of January 2014 – Demand for our product is strong;
- ✓ The National Herd is now forecast back at 2013-14 levels. Coming out of that drought the market rose nearly 70%. When wide spread rain is received livestock will be in unprecedented demand;
- ✓ The ability of the Liberal Government in negotiating Free Trade Agreements is now coming into effect. On 1 January 2019 Australian tariffs to Japan are reduced again. This further improves our advantage against the USA - our major competitor;
- ✓ The trade conflict between the USA & China continues to put downward pressure on the Australian Dollar. The fall to the mid 60's over Christmas may have been over played but there is no doubt a downward trend is emerging.

Data Acknowledgement

Mecardo Expert Market Analysis
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Building More Profitable Beef Herds