

Industry projections 2024

Australian cattle





MLA's Market Intelligence – insights@mla.com.au

KEY POINTS

- In 2024 the cattle industry will increase turnoff, causing the herd to ease slightly but remain above long-term averages.
- Slaughter will increase pending processors' capability to gain access to additional labour and open new shifts.
- US herd rebuild will have considerable impact on global beef markets, driving up demand for Australian red meat.



KEY 2024 NUMBERS

-  **Herd:**
28.6 million head
-  **Slaughter:**
7.85 million head
-  **Carcase weights:**
312 kg/head
-  **Production:**
2.45 million tonnes cwt

*Graphic illustrates year-on-year change

Summary

Northern:

- The Northern herd is expected to remain in a growth phase following an average to above average wet season across most of the north, supported by consistent rainfall, cyclones and low-pressure weather systems.

Southern:

- The Southern herd will continue to constrict into 2024. The southern herd is now reaching maturity, leading to increased turnoff while the cattle cycle enters a herd maintenance phase. This dynamic is influenced by the 2023 NSW female slaughter rate (FSR) averaging 48%, above the long-term benchmark of 47%.

After growing for three consecutive years to reach the largest national cattle herd since 2014, the herd is expected to ease by less than 1% to 28.6 million head by 30 June 2024. The 2020–2022 rebuild resulted in a younger herd that has now reached production maturity.

At the same time, female retention remains above long-term averages, particularly within northern systems. Indicating that the herd has entered a maintenance phase as elevated turnoff has been driven by high supply rather than producer intention to destock.

Producer focus on productivity and genetic profile during the past rebuild phase has led to a resilient breeding herd, meaning the herd reaction to higher turnoff rates will be less severe than in previous years. We expect solid numbers of young cattle in the coming seasons both through the northern and southern systems.

Consecutive lifts to slaughter, that are keeping up with supply, will drive production close to record levels in 2025. Carcase weights will fall during these high production years, though will remain well above long term averages, thanks to the investments in genetic profile and consistent improvements to Australia's lot feeding sector. The breed composition of the herd is expected to change over the coming years.

Economic challenges in most export markets continue to remain front of mind. However, several shifts in production forecasts for major export competitors will result in strong demand for Australian beef.

The United States remains Australia's key supply competitor, providing red meat to most of our top export markets. With drought conditions expected to ease across key cattle producing regions in the United States, the US cattle herd is expected to enter a rebuilding phase in 2024 after reaching its smallest size in 72 years. The contraction in the US supply will come as a good opportunity for Australian beef in global markets. Additionally, solid domestic supply will support strong demand for live cattle exports into major markets.

2024 is looking to be a positive year for the cattle industry with the herd staying within a maintenance phase. Decision making and turnoff will remain contingent on weather and rainfall outcomes, though the high supply from elevated turnoff rates will be supported by increased volumes of Australian beef through the global market.

Table 1: Situation and outlook for the Australian cattle industry

	2018	2019	2020	2021	2022	2023	% change 2023 on 2022	2024 ^f	2025 ^f	2026 ^f	% change 2026 ^f on 2023
Cattle numbers ('000 head)*											
As at 30 June	28,052	26,187	24,621	26,111	27,583	28,700	4%	28,585	27,370	26,750	-7%
Percentage change		-7.0%	-6.0%	6.0%	5.6%	4.0%		-0.4%	-4.3%	-2.3%	
Slaughterings ('000 head)											
cattle	7,873	8,482	7,145	6,018	5,850	7,029	20%	7,854	8,274	8,250	17%
calves	468	565	414	285	265	374	41%	337	359	373	0%
total	8,341	9,047	7,559	6,303	6,115	7,403	21%	8,191	8,634	8,623	17%
Avg carcase weight (kg)											
cattle	290.8	283.4	294.3	313.0	320.0	314.6	-2%	312.0	309.0	310.0	-1%
calves	41.3	49.3	48.5	40.5	34.3	33.8	-1%	36.0	40.0	37.0	9%
Production ('000 tonnes carcase weight)											
beef	2,289	2,404	2,103	1,883	1,869	2,211	18%	2,450	2,557	2,558	16%
veal	19	28	20	12	9	13	40%	12	14	14	11%
total beef and veal	2,309	2,432	2,123	1,895	1,878	2,224	18%	2,462	2,571	2,572	16%
Cattle exports ('000 head)											
	1,126	1,304	1,049	772	600	674	12%	723	758	810	20%
Beef exports** ('000 tonnes)											
total carcase weight	1,655	1,807	1,528	1,305	1,265	1,591	26%	1,796	1,907	1,905	20%
shipped weight	1,126	1,229	1,039	888	855	1,082	27%	1,222	1,297	1,295	20%
Domestic utilisation ('000 tonnes carcase weight)**											
total carcase weight	639	618	591	585	619	626	1%	639	650	649	4%
kg/head***	25.5	24.3	23.1	22.8	23.7	23.4	-1%	24.7	25.6	25.5	9%

Source: ABS, DAFF, MLA forecasts

^f = forecast

* From 2017 is an MLA estimate based on ABS Data - Figures as of 30th June. Please note, the flock estimates are based off the new EVAO cut off used by the ABS. Previously this was \$5,000 EVAO, but was changed upwards to \$40,000 EVAO. For more information, please visit www.abs.gov.au

** excl. canned/misc, shipped weight

*** Domestic meat consumption is measured by removing the portion of exports (DAWR data) from total production (ABS data) and assuming the difference is consumed (or at least disappears) domestically. Imports are also added to domestic consumption when present. Per capita consumption is calculated by dividing domestic consumption by ABS population data. Please note that domestic per capita consumption is entirely a supply statistic and does not take account of waste or non-food uses of livestock meat products.

Assumptions

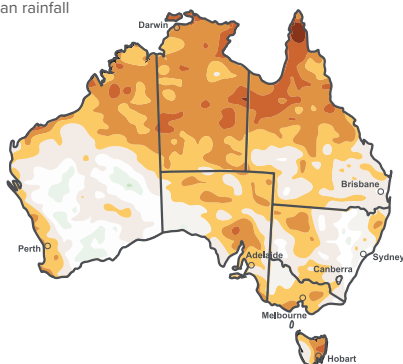
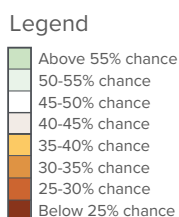
Weather and climate events

2023 was a significant year for weather events, with the deceleration of an El Niño event and a positive Indian Ocean Dipole (IOD) followed by four cyclones making landfall in the 2023/24 wet season so far. Looking back over the year, Bureau of Meteorology (BOM) data covering rainfall deficiencies, soil moisture and streamflow show WA to have been the state most impacted by dry conditions.

In September 2023, BOM declared an El Niño event and a positive IOD. At this time, long range forecasts were for hot and dry conditions moving towards the end of the year. Following the announcement, September and October rainfall totals were below average for much of the country. However, much of the impacted country recovered through November with higher-than-average rainfall, followed by average rainfall across the east during December.

Figure 1: Australian rainfall outlook – March to May 2024

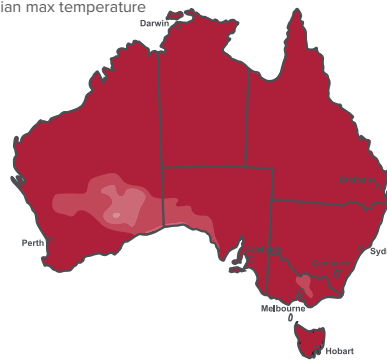
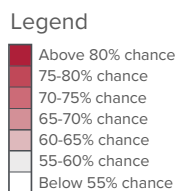
Chance of exceeding the median rainfall



Source: Bureau of Meteorology

Figure 2: Australian temperature outlook – March to May 2024

Chance of exceeding the median max temperature



Source: Bureau of Meteorology

The Northern wet season has been a relatively positive event for producers. Northern regions of the Northern Territory and Queensland have received high rainfall averages to date. At the same time, Ex Tropical Cyclone Kirrily moving inland provided significant soil moisture to parts of Central Queensland, with floods creeping into the Channel Country and supporting a good moisture base for the 2024 season.

Coming into 2024, January rainfall was well above average for large areas of Victoria, the Northern Territory, central and southern New South Wales, southern South Australia, as well as areas scattered across Western Australia and Queensland. The west coast of WA has missed out on these falls.

Looking ahead, the BOM long range forecast data indicates that March-May will be a relatively normal rainfall period for most of the country, with areas of Queensland possibly experiencing a slightly below average season. The temperature outlook is expected to remain hot over the following three months from March. Looking towards climate drivers, the country is expected to remain within a neutral IOD throughout 2024. The El Niño–Southern Oscillation (ENSO) outlook, which indicates an El Niño or La Niña event, notes that we are likely to move out of the El Niño phase by May -noting that long-term forecasts for a La Niña event in 2024 are varied.

Finances

Interest rates

As of February 2024, Australia's cash rate is 4.35. This rate remains the highest it has been since 2011. High interest rates will continue to put pressure on agricultural businesses, possibly impacting land values and loan financing. The Reserve Bank of Australia (RBA) has continued to advise that rates will remain around current levels until headline inflation falls back within its 2–3% target.

The big four banks do not expect any rate rises in 2024; their forecasts indicate the cash rate has peaked at 4.35%.

The bank forecasts for the end of 2024 are outlined below:

- **CBA:** Next cut September 2024, cash rate falling to 3.60% by December 2024.
- **Westpac:** Next cut in September 2024, cash rate falling to 3.85% by December 2024.
- **NAB:** Next cut by December 2024, cash rate falling to 4.10% by December 2024.

Inflation

Despite an easing in the December quarter, inflation remains elevated at 4.1% with the RBA February forecasts showing further improvements, expecting inflation to return to the target range of 2–3% in 2025 and to reach 2.5% in 2026. Inflation above target bands will continue to impact the RBA's decision making on the cash rate.

Although there has been a decrease in goods price inflation, the sustained high service price inflation suggests the supply chain may struggle with high labour costs. It is anticipated that service inflation will decrease slowly as demand for services stabilises and the growth rate of both labour and non-labour costs ease.

Exchange rate

The Australian dollar has eased year on year. The current Australian and US dollar exchange rate sits at 0.65 cents as at the last RBA meeting on 6 February 2024. This rate has depreciated by 4 cents, or 6% year on year, however, remains only just under the 12-month average. A weaker exchange rate will impact the cost of importing inputs, but will improve the competitiveness of Australian meat in the export market.

The Australian Trade Weighted Index (TWI) is currently 60.9 as at 6 February 2024, 1.9 below year-on-year readings and only 0.2 below the 12-month and 5-year average. The TWI reflects Australia's exchange rate compared to our main trading partners, and acts as a more reflective measure of Australia's overall trade competitiveness.

Price Production Indices (PPI)

The Australian Price Production Indices (PPI) measure the changes in the price received for products for specific industries. Other measures, such as the CPI, measure price changes from the consumers' perspective.

Agriculture PPI was 141.2 in Q4 2023, a 16% drop year on year, and 7% below the one- and five-year averages. Sheep, beef cattle, and grain farming PPI is 126.7 with a 32% drop year on year and 14% and 23% below the one- and five-year averages respectively. Larger drops in the beef, sheep and grain PPI were likely driven by the significant easing in livestock prices over 2023.

Farm Management Deposits (FMDs)

At the closing of 2023, there were \$1.16 billion in held in FMDs by 8,207 beef farms. In addition, \$1.18 billion and \$401 million were held in mixed grain-sheep/beef and sheep/beef businesses respectively.

FMD accounts allow for agricultural businesses to have financial stability in an industry that is heavily impacted by seasonal variation. In 2023, as the industry was impacted by reduced livestock prices, producers were drawing down their FMD accounts. Accounts between December 2021 and 2022 rose by 22% following two productive seasons and a strong market. Deposits then fell by \$16m or 0.85% in December 2023. This is the first-time deposits in beef accounts have fallen since the scheme's inception.

Cost of inputs

Fuel

Changes in diesel prices have significant impacts on the cost of production, impacting transport (trucking of livestock, feed and finished beef) and machinery running costs along the supply-chain. According to the Australian Bureau of Statistics (ABS) CPI data, automotive fuel costs in 2023 increased by 3.5 points to 135.4 when compared to 2022. In December 2023 there was a 0.3-point reduction compared to the last quarter.

Electricity

The RBA economic outlook highlights uncertainty in electricity prices over the 12 months following August 2023, with prices forecast to add around one quarter of a percentage point to headline inflation over the 2023/24 financial year. Electricity is a major input to the processing sector and can impact on the sectors returns.

Employment

The 2023–2024 migration program will be set at 137,100 places for skilled workers to fill skill shortages in the labour market, including those in regional Australia. This is a decrease of 4% on the previous year’s program. Part of this reduction was a 1,700 reduction in the regional category; however, these numbers remain high on pre-2022 levels, providing possible support to processing facilities that are concentrated in regional areas.

Supply

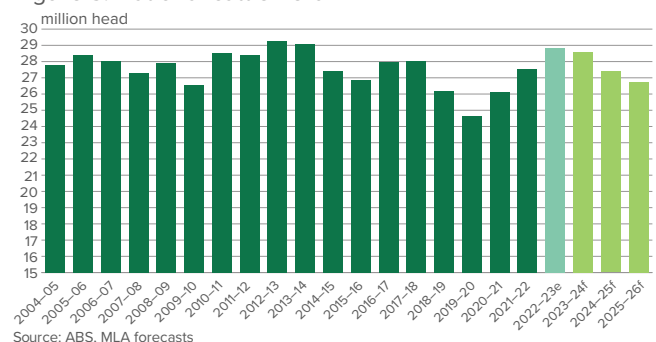
Herd

In 2024, the national cattle herd will shrink by under 1% to 28.6 million head – 115,000 fewer than 2023. The herd will continue to taper down in 2025 and 2026, and in 2026, the herd will sit at 26.5 million – 6.8% smaller than 2023.

The FSR in 2023 was 46.6% – slightly below the 47% threshold required to be in a technical destock. The 2020–22 rebuild has resulted in a younger herd which is now reaching maturity, meaning that turnoff has to rise as available supply lifts. This will result in the herd shrinking slightly in 2024 while the cattle cycle enters a maintenance phase.

The drop in cattle numbers in 2024 is under the assumption of a normal or drier weather outlook. It is expected that the herd will constrict in the southern states and continue to grow in the north. The past four years have been unprecedented in terms of rainfall, and as weather is the major driver of stock turnoff and decision making, alterations in weather predictions will influence the overall size of the herd and north-south split. Prices also impacted turnoff in 2023, however, significant numbers of breeding females were not offloaded despite prices dropping.

Figure 3: National cattle herd



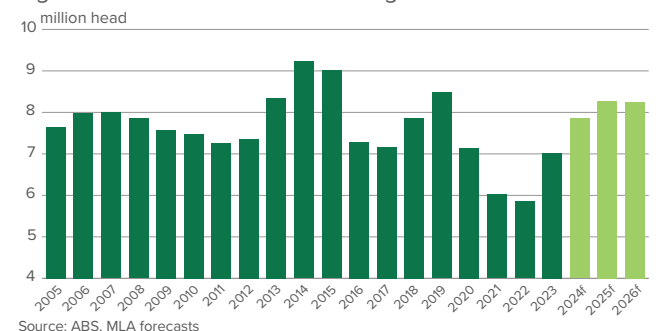
Slaughter

After lifting 20.2% in 2023 to just over 7 million head, adult slaughter is expected to rise a further 11.7% in 2024 to 7.9 million head, the highest number since 2019. Supply of processor-ready cattle is expected to increase throughout 2024 as the herd reaches maturity.

In 2025, slaughter is expected to rise a further 5.3% to 8.3 million head. This will be well above the ten-year average but below the 8.5 million slaughtered in 2019. After this, in 2026 slaughter is expected to ease 0.3% to 8.3 million head – still above the ten-year average but below the 2025 peak.

Labour availability remains a concern for processors, especially as the number of processor-ready cattle increases.

Figure 4: National adult cattle slaughter



[Click here to access the MLA's NLRS Weekly Slaughter Report](#)

Carcase weight

In 2023, carcase weights dropped to 315kg/head from an all-time high of 320kg in 2022. Carcase weights are forecast to continue falling over the next two years, reaching 312kg in 2024 and 309kg in 2025 before rising to 310kg in 2026.

Slight upticks in the female slaughter rate impact movements in carcase weights year-to-year. Despite this, the general trend is for carcase weights to increase over the longer term as on-farm productivity has risen, the genetic profile of the herd has improved, and as the lot feeding sector has grown.

Despite the fall in carcase weights over the next three years, they are expected to remain well above the ten-year average and are likely to continue rising during future periods of herd expansion.

Production

Beef production is forecast to rise to 2.5 million tonnes in 2024, 10.8% higher than 2023 and the third highest production volume on record. Production is expected to lift a further 4.3% in 2025 to 2.6 million tonnes, which will be the second highest production volume on record, and remain flat into 2026.

Despite slaughter remaining below previous peaks in 2014, 2015 and 2019, overall production is expected to match or exceed those previous peaks as carcase weights have risen steadily and are now consistently higher than seen a decade prior. This increase in production will improve Australia's position in global markets, providing possible opportunities for both beef exports to increase and more beef to remain within the domestic market.

Live export

The year 2023 concluded on a positive note for the live export industry, with a reversal of the reduction in volumes observed since 2019. The total number of head exported reached 673,630, a 12.3% increase on 2022. This upturn in Australian cattle demand can be attributed to several factors, including a decline in Australian cattle prices, enhanced cattle availability, and increased post-pandemic economic activity in key markets. Despite previous pressures that led trade partners to seek cheaper alternatives, the current prices, coupled with high quality and consistent supply, have reinstated importer confidence in importing Australian cattle.

Future outlook

Overall, positive market indicators are anticipated for 2024, further building upon the factors observed in 2023. These include a robust Australian domestic supply resulting from favourable environmental conditions, which support farmers' confidence and competitive cattle pricing. However, the demand landscape presents a mix of signals and uncertainties in key markets.

Indonesia, the largest Australian cattle destination taking about half of exports, is expected to have stronger demand for Australian cattle compared to 2023. Strong demand fundamentals include the economy gradually improving from pandemic disruptions, international travel returning to normal, and Indonesia having a solid international tourist influx rebound. Additionally, the indication of a reduced domestic cattle population should also underpin stronger demand for Australian cattle.

Despite these market opportunities, demand challenges will remain, such as the impact of inflation causing an erosion of consumers' purchasing power, particularly in food and food services. Another challenge is growing competition from Indian buffalo meat due to an increase in allocation of 50,000 extra tonnes for private importers. The year 2024 is considered a transitional year because of the political cycle, with the implementation of new policies or reforms unlikely to impact until 2025.

Vietnam faces slower economic recovery despite government stimuli. Subdued consumer purchasing power and increasing competition from live cattle imports from Thailand and Myanmar, as well as cheap buffalo meat, may negatively affect the demand for Australian cattle. If Australian cattle prices remain attractive during 2024, a similar trade volume to 2023 is anticipated.

The Philippines was one of the growth markets of 2023, more than doubling Australian cattle imports compared to 2022, albeit at relatively low volumes. This is one of the more price-sensitive markets that benefited from lower Australian cattle prices, which is expected to sustain good volumes in 2024.

Figure 5: National carcase weights on long term averages

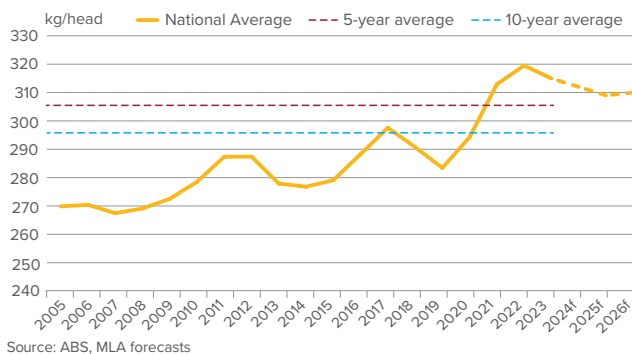
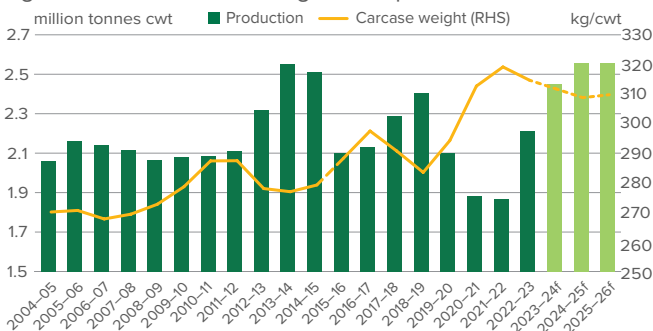


Figure 6: Cattle carcase weights and production



[Click here to visit MLA's LiveLink interactive Dashboard for export statistics](#)

Key macro issues

Labour

MLA's 2023 State of the Industry report indicated approximately 433,389 people are employed by the red meat industry across the supply chain in 2023. This labour force is in direct competition with other skilled sectors in those regional communities such as mining and construction where there has been a structural shift from domestic to foreign labour to meet demand.

Pacific Australian Labour Mobility Scheme

The Pacific Australia Labour Mobility (PALM) scheme allows employers to hire workers to fill unskilled, low-skilled or semi-skilled positions for short-term placements of up to nine months, or long-term placements of between one and four years. Short-term and long-term workers can be employed in any sector and in all regional and rural postcodes, except for agriculture and agriculture-related food product manufacturing which have no postcode restrictions.

Through the PALM Scheme, processors have been granted access to more unskilled labour from nine Pacific Island countries and Timor-Leste, partially addressing the gap in labour demand. Under the PALM scheme, 38,164 (Dec 2023) workers are supporting Australian employers. 9,894 PALM scheme workers are employed in the meat processing sector, representing about 26% of all PALM scheme workers.

An employer utilising the PALM scheme may face challenges in retaining labour, as competitive wages alone do not suffice. PALM scheme employers are responsible for providing an arrival briefing, meeting accommodation standards and providing sufficient hours of work (i.e. booking out local hotels/motels), and for the wellbeing of workers (i.e. providing English classes, swimming classes), including supporting connections to community and sporting groups, churches and diaspora groups.

Weather impact on market

Weather and climate forecasting are fundamental tools in managing agricultural production, guiding decision-making, and strengthening the resilience of farm enterprises in the face of climate variability. Producers heavily rely on seasonal outlooks to proactively navigate shifts in regular climatic patterns, thereby safeguarding their business profitability.

In 2023, the forecasts provided by national and international meteorological organisations played a crucial role in influencing confidence within the livestock market. The Australian Bureau of Meteorology (BOM) issued an El Niño watch in March, which was upgraded to an alert in June, and by September, an El Niño event along with a positive Indian Ocean Dipole (IOD) were declared. Notably, BOM were relatively conservative in declaring these climate events, lagging other meteorological organisation announcements, such as the National Oceanic and Atmospheric Administration (NOAA) and the World Meteorological Organisation (WMO) which declared an El Niño event in June and July respectively.

The declarations of an El Niño and positive IOD weather events had a significant impact on producer confidence, which was exacerbated by extensive media coverage highlighting the potential for extreme conditions. Under the expectation of an extended hot and dry period, some producers may have made decisions to turnoff stock. This impact to confidence reduced buyer competition, therefore impacting the livestock market price.

This intense reaction was fuelled by lingering concerns from the harsh 2017–2019 drought.

Despite initial forecasts being for hot and dry conditions, the east coast experienced unexpected weather patterns from October to December 2023, receiving 150% above the mean rainfall. Cyclones and low-pressure systems caused flooding.

Entering 2024, International climate models suggest we are likely to return to neutral El Niño–Southern Oscillation (ENSO) levels in April. However, it should be noted that predictions made in late summer and autumn tend to have lower accuracy than predictions made at other times of the year.

The three-month rainfall forecast from March indicates median rainfall across Western Australia and the southern states, with below-median rainfall projected for large areas of north-west Queensland, followed by improvements in the subsequent quarter. While forecasts remain crucial for business management, the expected relative climate stability in 2024 suggests that decision-making may not be as reactive to long-term forecasts as observed in the markets of 2023.

2023 State of the industry report



Click here to read the 2022 State of the industry report:
The Australian red meat and livestock industry

Freight/supply chains

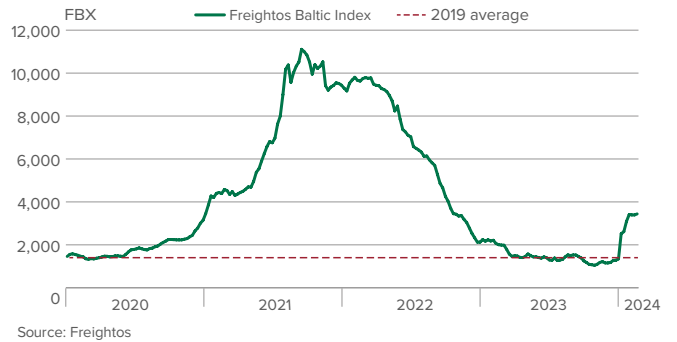
After a relatively sedate year in 2023, freight has once again emerged as a challenge for exporters as prices have spiked again and shipping route stability has been challenged.

Rockets fired on container ships off the coast of Yemen have substantially disrupted the flow of traffic through the Suez Canal, forcing shipping lines to travel around the Cape of Good Hope in South Africa, increasing the cost of freight insurance generally. This has caused a substantial rise in the cost of containerised shipping, though not to the peaks seen in 2021–22. Between October 2023 and February 2024, the Freightos Baltic index tripled to 3,440 index points.

Trade in the Pacific is relatively less affected, and Australian trade even less so; the Australia/New Zealand component of the China Containerised Freight index (CCFI) has only lifted 43%, while the CCFI as a whole has lifted 78% – still a considerable increase, but much less so than routes more heavily exposed to European trade.

In the longer term, the formation of the Gemini Cooperation alliance between Maersk and Hapag-Lloyd and the adoption of the ‘hub and spoke’ distribution system represents further consolidation and centralisation in the industry. With the Australian port throughput representing a tiny portion of global containerised trade, these changes could lead to more reliable but less frequent port calls in the future.

Figure 7: Freightos Baltic Index



Global supply and forecasts

USA

Beef exports from the United States are set to decline over 2024 as falling domestic production and robust beef demand are likely to drive a shortfall in US beef supplies.

The easing of drought conditions in key cattle producing regions over 2023 moderated the herd destock dynamics evident since 2018. Adult cattle slaughter fell by 4% to 32.2 million head, while the female slaughter rate (FSR) fell slightly to 51.6%. Despite these falls, overall slaughter and female slaughter in particular remained well above long-term averages, and the 2024 herd estimate of 87.2 million head was the lowest in 72 years.

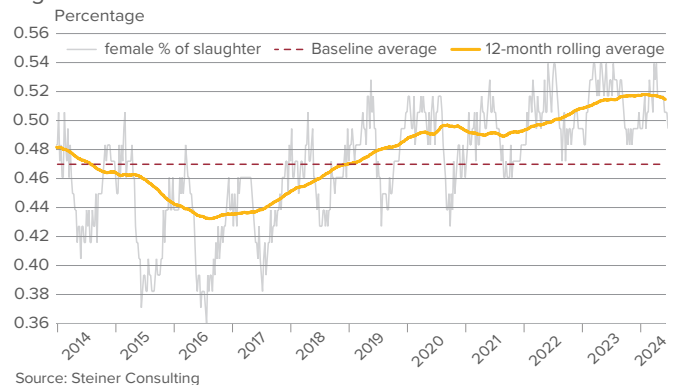
This relatively marginal shift in slaughter numbers led to a 16% decline in export volumes, and a 10% increase in import volumes. Slaughter numbers are likely to continue to decline as drought conditions ease, which will have an outsized effect on both imports and exports.

The incoming move from a destocking phase to a rebuilding phase in the United States will have a considerable impact on global beef markets, driving up demand for red meat in the United States and reducing the globally traded supply more broadly.

Figure 8: US beef exports 2014 – 2023



Figure 9: US herd FSR 2014 – 2023



2023 in review

Change, confidence and cyclicality have been the hallmarks of the cattle market in 2023

▶ To read the 2023 Year in review click here

Brazil

In Brazil, although beef production is likely to stay flat or decline slightly, exports are likely to rise marginally. However, this is contingent on demand-side factors more than supply availability.

Adult cattle slaughter in 2023 is currently estimated at 34 million head, 14% above year ago levels and above the long-run average. Slaughter numbers and the rate of female slaughter has been rising since late 2021 as the Brazilian herd has experienced a mild destock which is likely to end over 2024.

At the same time, improvements in cattle genetics and increased use of supplementary feed have boosted carcass weights, which is set to continue and will ensure relatively consistent production despite the forecast reduction in slaughter.

Brazil beef exports are expected to rise marginally compared to 2023, which saw a record 2 million tonnes exported despite several months of exports to China being constrained by an atypical case of Bovine Spongiform Encephalopathy (BSE).

Potentially higher export volumes will be determined by the relative economic performance of Brazil and its largest trading partner, China. Brazil still consumes roughly 70% of domestic production, but strong demand from China has driven export growth higher than production, driving domestic consumption down.

In the event that Brazilian consumer purchasing power improves relative to China, it is likely that a larger portion of Brazilian production is consumed domestically. The Brazilian economy has been relatively stable in recent years, so the largest factor influencing Brazilian export volumes will be consumer demand in China.

Figure 10: Brazil beef exports 2014 – 2023



India

Carabeef (buffalo) production and export volumes in India are likely to grow over 2024 as slaughter continues to rise and demand for cheap animal protein in developing markets continues to grow. Estimated total cattle slaughter rose by 1.3% to 39.9m head (well above the long-run average) as the Indian water buffalo herd grows.

Exports in the 12 months leading up to August 2023 were down 11% on the preceding period as weak trading conditions in Egypt and increasingly stringent re-export regulations hampered export volumes.

Despite this, underlying strength in slaughter numbers and increasing acceptance of carabeef in middle-income markets has driven demand in South-East Asia and the Middle East markets. Underlying this trend was Malaysia, who was the top market for Indian carabeef in 2023 for the first time.

New Zealand

Beef production in New Zealand is expected to fall slightly as stronger farmgate milk price forecasts encourage dairy producers to retain cows and heifers despite a relatively positive climate outlook.

Adult cattle slaughter in New Zealand lifted 1% in 2023 to 2.7 million head, well above the long-run average. The female slaughter rate was 57.4%, which was slightly above the long-run average and indicative of a mild destock.

As much of New Zealand's beef exports are made up of lean dairy cow-derived manufacturing beef, farmgate milk prices influence beef export volumes. In 2023, slow demand for milk solids in China led to lower-than expected farmgate milk prices, which in turn led to an increase in cow slaughter and a subsequent 7% increase in beef exports to slightly over 500,000 tonnes.

Fonterra have now lifted the 2023-24 milk price forecast four times. Whilst still below 2022-23 levels, it is currently 16% above the October 2023 forecast at NZ\$7.80/kgMS, and further increases would reduce cow cull and beef export volumes.

Figure 11: NZ cattle slaughter 2014 – 2023

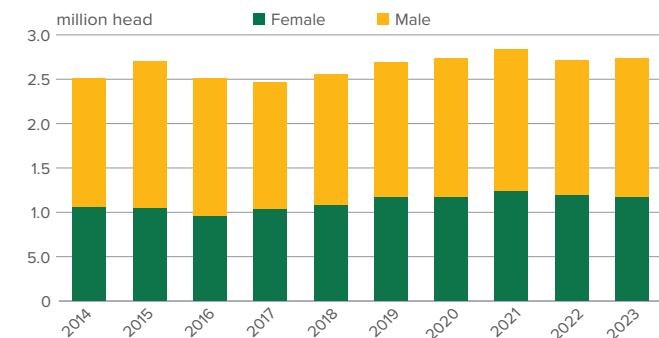


Figure 12: Fonterra NZ farmgate milk price forecast 2023–24




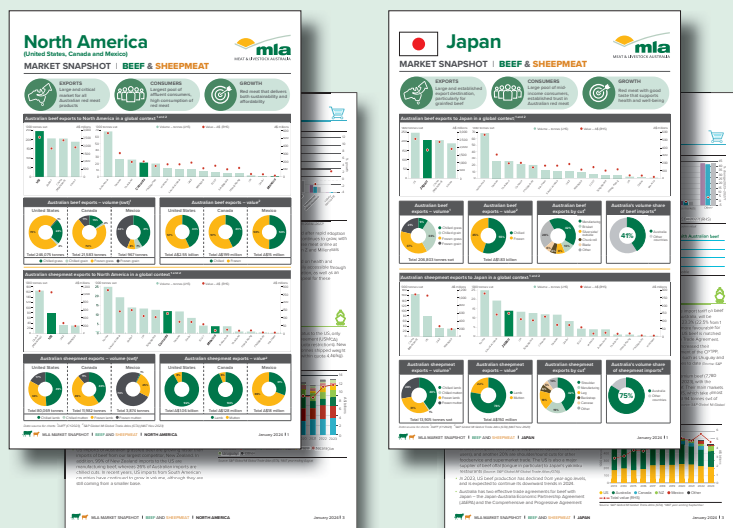
Market Snapshots

MLA's market snapshots aim to give a better understanding of Australia's main red meat markets along with insights into what's driving consumer demand.

Covering 14 markets the snapshots provide industry stakeholders access to topline insights on:

- consumer demographics, perceptions, habits and trends
- Australian export data and analysis
- foodservice and retail sector trends
- trade access and competitive landscape

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Effect of US destock on beef export markets

The American cattle herd currently sits at 87.2 million head, roughly 500,000 head below the previous cyclical low point in 2014 and the lowest figure in 72 years. Drought conditions across much of the central and southwestern United States has led to a herd destock that has slowed since a peak in late 2022 but remains ongoing.

The United States is the only country that is a major beef producer, exporter and importer. As the world's largest beef producer, the US exports large volumes of forequarter primals that are relatively less valuable in the US to North Asian markets, where they compete with Australia for market share while importing large volumes of lean trim for ground beef – largely used in hamburger patties.

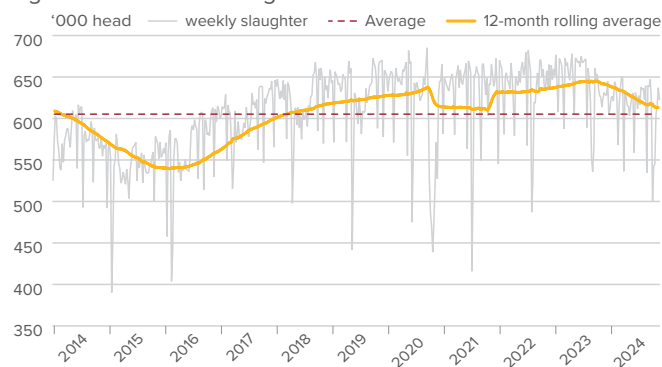
Additionally, the US tends to use the international market to balance out changes in supply over the cattle cycle, with imports and exports shifting disproportionately to changes in production. This was seen in 2023, when a 4% decline in slaughter led to a 9% increase in imports and a 15% decline in exports.

Drought conditions in the US have eased considerably from the peak in late 2022, which spurred the fall in slaughter and subsequent shift in trade balance. Despite falling 4%, slaughter remained above the long-run average. However, US demand has grown relatively consistently over the past 20 years as high median incomes and a growing population have increased the pool of beef consumers.

The current forecast from the USDA for 2024 is a 3% decline in production and an 8% decline in exports. Alongside a slight rise in imports, this would equate to 725,000 fewer tonnes of beef traded internationally compared to 2022, or a 6% reduction in global supply. This would have a much larger impact on Australia than other exporters, as Australia is one of the few countries that has similar market access to the US and thus competes directly with the US.

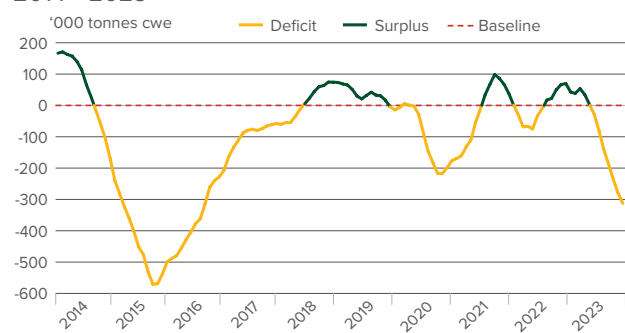
The USDA forecast is contingent on conditions continuing to improve over 2024. The National Cattlemen's Beef Association has raised the possibility of La Niña conditions returning to the US in mid-2024, which would prolong the period of elevated slaughter and slow a future herd rebuild. Although this would impact the speed of the herd rebuild, it would not impact the ultimate result, which is declining beef production from 2024 until at least 2026 and likely below-average production for several years after that.

Figure 13: US cattle slaughter 2014 – 2023



Source: Steiner Consulting

Figure 14: US beef net trade balance (exports–imports) 2014 – 2023



Source: USDA ERS

Price

Supply

In the livestock market, supply dynamics play a pivotal role in influencing domestic prices. Demand for processor-ready livestock tends to exhibit stability, irrespective of the herd's size or growth phase. Projections suggest that herd sizes will remain elevated, leading to an abundance of processor-ready cattle. This level of stock availability could mitigate competition pressures on livestock prices, leading to a buyer-led market environment. During periods of herd rebuilding, stable demand intensifies competition among buyers.

Two key indicators are used to inform the industry of the position of the Australian national herd. After witnessing the largest herd in a decade in 2023, herd dynamics have shifted during that time. This includes:

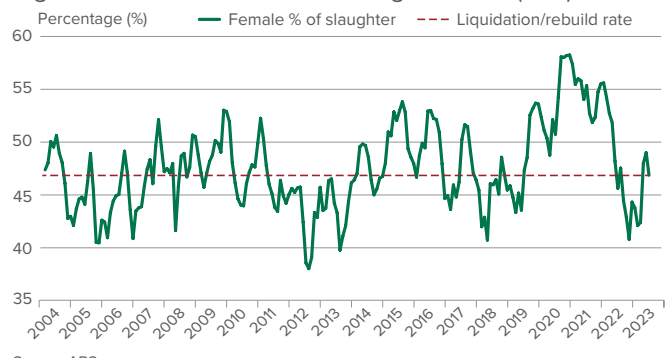
1. Female slaughter rate (FSR)
2. Stock Turn-off rate (STR)

FSR

The female slaughter rate (FSR) measures the number of female cattle processed on a quarterly basis compared to total cattle throughput. In 2023, the FSR was 49% in the September quarter. In the December quarter, the FSR returned below the 47% benchmark to 46%. This is slightly below the long-term average of 47% which indicates whether the herd is liquidating or rebuilding.

The significance of the FSR returning below the 47% benchmark indicates higher retention of heifers and cows, and thus suggests the industry is entering a growth phase. This shift from above to below the FSR within a quarter indicates producers are liquidating and rebuilding faster than previous years.

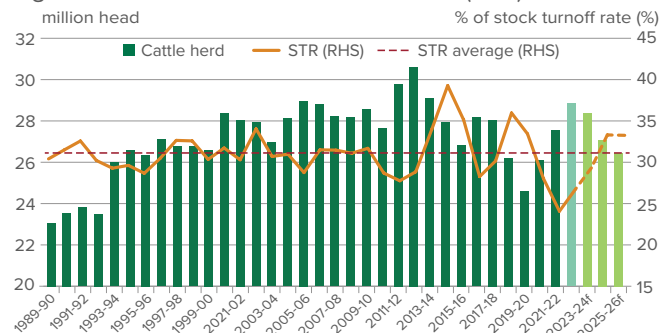
Figure 15: Australian Female Slaughter Rate (FSR)



STR

The second measure of significance is the stock turn-off ratio (STR). This lead indicator measures the number of cattle processed and live animals exported compared to the herd size as a percentage. The STR will lift in 2024 to 29%, moving closer towards the long-term average of 31%. Turnoff in 2023 was driven by high supply of maturing cattle that were a result of the 2020–22 herd rebuild. Over the year, markets saw heavy fluctuations due to higher supply coming through sales channels; enabling buyers to be more selective with their purchasing decisions. Turn off is forecast to pass that long term average in the following year, remaining at 33% for 2025 and 2026.

Figure 16: Australian Stock Turnoff Rate (STR)



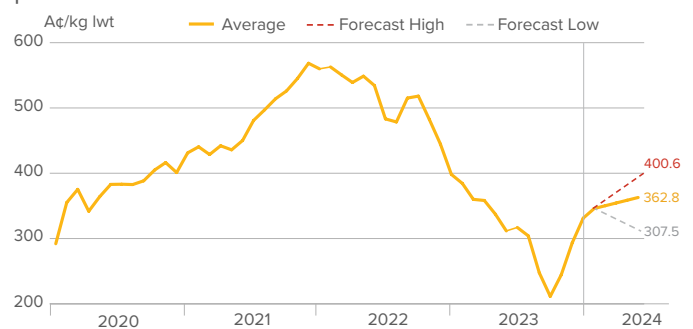
Price forecasts

Analyst aggregation

MLA's cattle projections include an aggregate analyst price estimate (exc. MLA) for the national feeder steer indicator (feeder steer) and national heavy steer indicator (heavy steer). The feeder steer is forecast to trend upwards on current rates by 4.8% to reach 363¢/kg/live weight (lwt) on 30 June 2024, with an aggregated upper estimation reaching 401¢/kg lwt, or a 15.8% rise to current prices.

Analyst comments note that an upwards shift in local prices on the back strong export and restocker demand will support prices into 2024. Climate outlooks forecasting favourable seasonal conditions through cattle regions will potentially provide a boost to restocker demand and in turn apply upwards pressure on prices.

Figure 17: Aggregated industry average feeder steer price forecast

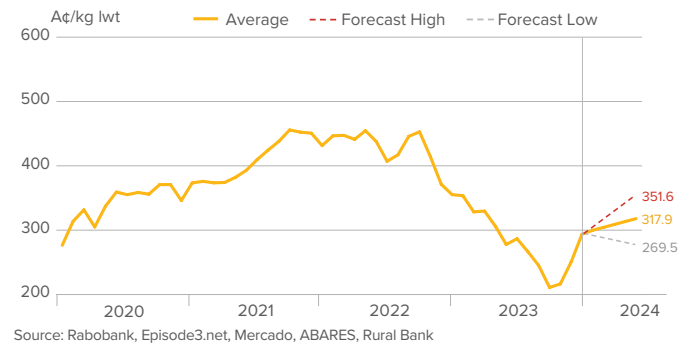


Source: Rabobank, Episode3.net, Mercado, ABARES, Rural Bank

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Analysts estimate a 6.0% or 18 cent lift to the heavy steer which is forecast to reach 318¢/kg lwt for 30 June 2024. As export demand is expected to lift, with a focus on the United States market, heavier animals will be in solid demand through 2024 if conditions follow forecasts.

Figure 18: Aggregated industry average heavy steer price forecast



Looking Ahead

Looking ahead into the next 12 months, the cattle industry outlook remains linked to the outcome of seasonal forecasts. The herd has performed relatively well over the last three years, prioritising productivity, efficiency and genetics over the rebuild period. Despite the expected harshness of a 2023 drought, we will continue to see inflated female turnoff as producers anticipate changing climate forecasts through the year and move towards a more conservative approach to land management.

As the rebuilt herd comes to age, we will begin to see the productivity of the last three years move into production. Slaughter rates will continue to depend on the capacity of the processing sector. However, with positive signs through export opportunities, profit margins may encourage a push from processors to outperform slaughter numbers seen in previous years.

Industry confidence is likely to grow as many producers have started the year with adequate feed and water on farm. The average to above average wet season in the North has buoyed confidence as pastoralists will move to take advantage of an expected growth into the live export industry. Southern systems will benefit from a forecasted to La Niña event on the tail end of the year. However, tangible benefits from this will rely on whether rainfall matches these long-term forecasts.

The US cattle herd liquidation and expected intense rebuild will promote Australian beef exports into high value markets including Japan, Korea and the US itself- likely seeing these impacts come in towards the ends of 2024.



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