

Top 10 trends

1 US cattle herd



The USA beef cow herd was 28.9 million head in January, the smallest since 1962. This has pushed up the price of US cattle and will reduce beef production over the next several years. As the USA is a major market for Australia while also competing with Australia in Japan, South Korea and China, the smaller USA herd will drive demand for Australian beef in our four largest markets.

The herd rebuild that will take place in the USA once it receives widespread rain will be protracted, given just how small the herd has shrunk to during the current liquidation.

3 Significant increase in supply of Australian cattle and sheep



After several years of intense herd and flock rebuilding, on 30 June 2023 Australia's cattle herd reached 28.7 million head, while the sheep flock reached 78.8 million head.

These are the largest animal inventory figures in a decade, leading to an increase of supply at saleyards and higher slaughter numbers. This, along with the declining production of US beef and NZ lamb puts Australia in a good position over the next few years.

5 Flock demographics



In the first half of the year, the long-term trend away from Merinos towards meat breeds continued.

As reported in the May sheep producers' intentions survey, for the first time on record Merinos make up under 70% of the breeding flock. Merinos are most popular in WA, where they make up 85% of the flock, and least popular in Tasmania, where full meat breeds make up 45% of the flock.

In 2016, 71% of the breeding flock were Merino, the previous record low for Merino production.

As the year has progressed and lamb and mutton prices have slid relative to wool prices, it is expected that we will see an increase in the Merino proportion of the breeding flock.

7 NZ sheep focus on China over UK (being market agnostic)



NZ sheepmeat exports to China have risen consistently since 2012, with a proportionate decrease in exports to the EU and in particular the UK. Much of this is linked to smaller premiums for NZ sheepmeat in the UK over China.

Since 2012, the price premium fell from over A\$5/kg to under A\$3/kg at present.

9 Growth of grassfed production (and those fed shorter days on feed)



In 2022, 47% of cattle slaughter was turned off from feedlots, a new record. This percentage will go down in 2023 as the herd rebuild matures and the supply of grassfed cattle increases.

At the same time, lower feeder cattle prices and relatively high grain prices will incentivise feedlots to have more inductions and to feed cattle for fewer days.

2 Australian steer price vs global competitors (especially the US Steer)



From June 2020 to June 2022, Australian cattle were the most expensive in the world, especially compared to the US fed steer. Since then, USA prices have increased rapidly and Australian prices have fallen, reversing the trend, and pushing US cattle to a US\$2/kg premium, close to the record.

US prices have been largely driven by reduced supply. There are cattle available in the USA as cattle have been processed in large volumes in response to the drought conditions in the country.

4 Changing weather in Australia (El nino and Indian Ocean Dipole)



The Bureau of Meteorology (BOM) declared an El Niño weather event and a positive Indian Ocean Dipole in mid-September.

An El Niño would bring reduced rainfall to eastern and northern Australia. At the same time, a positive Indian Ocean Dipole would likely reduce rainfall in the top end and in southern Australia.

The concern around El Niño is resulting in sheep and cattle being sold in larger volumes. The memory of the 2017–2019 drought is front of mind for many farmers when weather forecasts are released and will impact their selling decisions for the season ahead.

6 Rebound of China – China is back, but slower than expected



The opening up of China in early 2023 has been met with higher demand for Australian red meat, with beef, lamb, mutton and goatmeat all recording strong increases in export volumes.

However, some issues exist on the horizon, with consumer confidence lower than the OECD average and overall exports lower than initially expected.

8 Sheep and lamb prices ease



Sheep and lamb prices at saleyards have eased over 50% this year. The decrease in the saleyard prices has been driven by the increase in supply of sheep and lambs as ewes retained for rebuilding purposes finally hit the market.

Paddocks running at full capacity and the forecast for a return to drier conditions have resulted in damper restocker demand – leading to lower livestock prices.

10 Easing retail prices



In 2023, retail prices for both lamb and beef have fallen in Australia. According to official ABS consumer price data, lamb and beef prices have fallen 2.5% and 2.0% respectively between June 2022 and June 2023. Part of this can be attributed to the fall in livestock prices.

Data indicates that beef prices are \$26.52/kg, and lamb prices are \$19.39 as of 30 June 2023. This reduction in retail price has translate to increased domestic consumption. Aggregated consumption of lamb in Australia hit 191,000 tonnes in the 2023 financial year – the largest since 2018.