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In Focus: Beef Cattle

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Key points

Since the improvement in seasonal conditions over the summer, cattle prices have recovered from last year's lows. The Eastern Young Cattle Indicator (EYCI) fell to a nine-year low in October 2023, reaching 349c/kg, as last year's El Nino event saw much of the country experience heat wave conditions. While prices remained depressed for the month of October, an improvement in seasonal conditions and well above-median rainfall saw prices recover in December, closing out the year at 534c/kg.

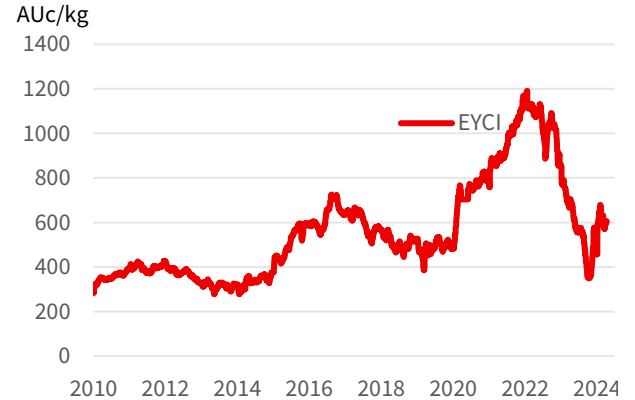
Prices in 2024 have made a decent recovery and are above the 2015-19 average. The upwards trajectory was helped along by the end of the positive Indian Ocean Dipole event and a return to neutral El Nino-Southern Oscillation conditions.

The national cattle herd rebuilt since its lows in 2020-21 to be at its highest level in 2022-23. MLA data puts the herd at 28.7 million in June 2023, its highest level since June 2014. ABARES' estimates are lower again. MLA and ABARES differ in their herd forecasts, with MLA expecting the herd size to decline more sharply over the next few years.

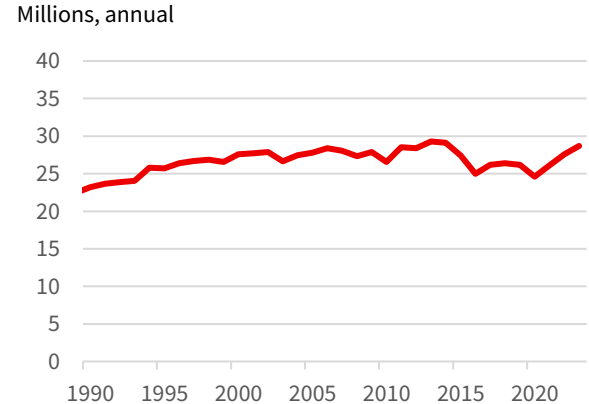
The value of Australian beef exports has been on the rise since 2020-21, and has recently been supported by higher export volumes. Export demand has been particularly strong from the USA, where the herd is at its lowest level in several decades, and Japan. China remains the largest export destination for Australian beef.



Eastern Young Cattle Indicator



National Cattle Herd



Source data: MLA and NAB Group Economics

Seasonal condition have turned around

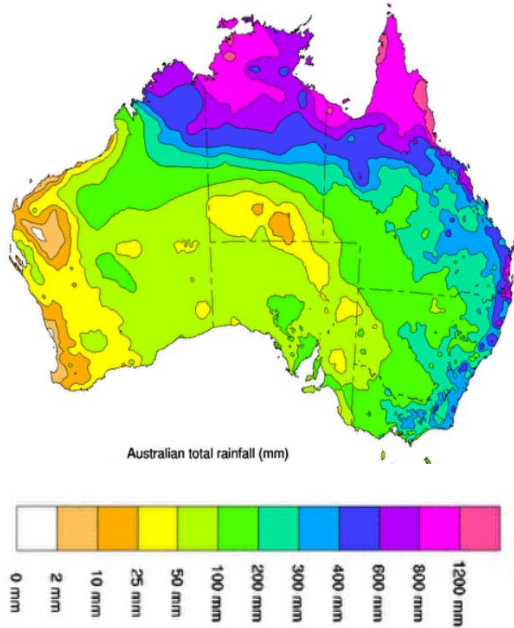


The country experienced its third-warmest summer on record in 2023-24 and most of the country experienced heatwaves in December and February. Summer was also wetter than average: nationally, rainfall was 18.9% above the BoM's recoded long-term average (1916-1990); it was 30% above the average in Queensland.

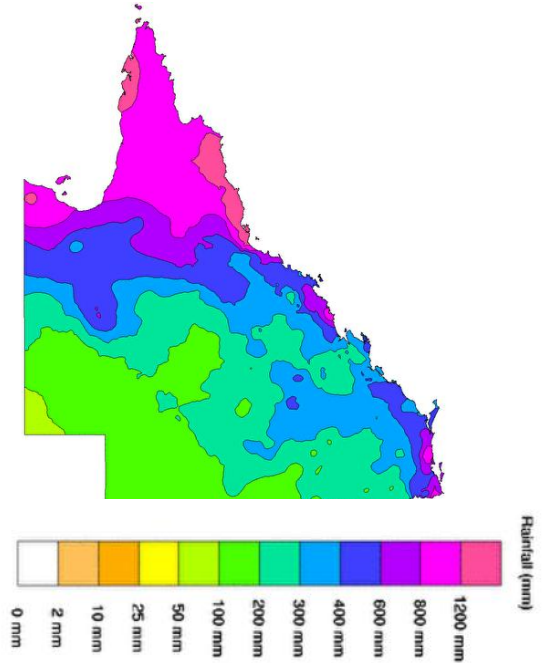
Many areas in the mainland experienced rainfall in the highest 10% of all summers since 1900. The wet summer came despite El Nino conditions, and after the country experienced its driest three-month period on record since 1900, from August to October.

El Nino has now ended and ENSO levels returned to neutral in April. Three out of seven international climate models are currently predicting a La Nina event to develop by August, while the other four models indicate that ENSO conditions will remain neutral. However, model accuracy for ENSO forecasts is particularly low in April.

Australian summer 23-24 rainfall
deciles, three months to 29 Feb 2024



Qld summer 23-24 rainfall
deciles, three months to 29 Feb 2024

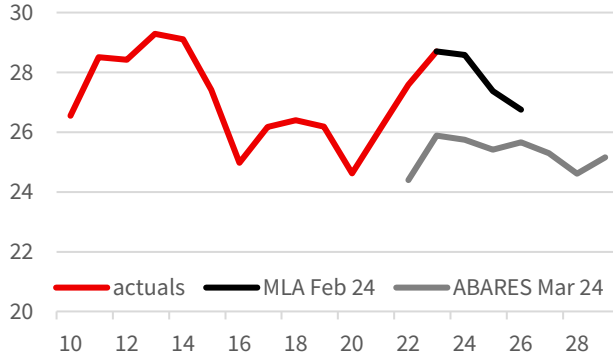


Source data: Bureau of Meteorology

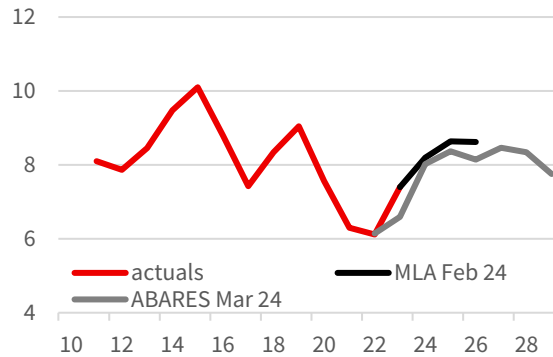
State of the Herd and Slaughter



Selected Cattle Herd forecasts millions, as at 30 June

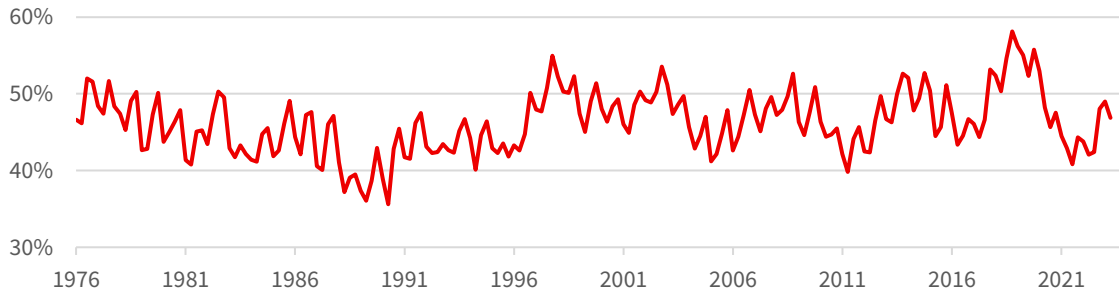


Slaughter forecasts millions, as at 30 June



Female Slaughter Share

Quarterly, adult cattle



The Australian cattle herd is at its highest level since 2014. This comes after several years of rebuilding (that followed the liquidation phase of 2014-16) as well as high slaughter rates again in 2019, which resulted in the lowest herd since 1990 in 2020-21. The herd is forecast to contract slightly in 2023-24, and production is expected to increase, following last year's dry conditions which lifted slaughter rates.

Looking forward, strong export demand, particularly from the US, and an expected increase in saleyard prices will likely contribute to the expected increase in the turn-off rate.

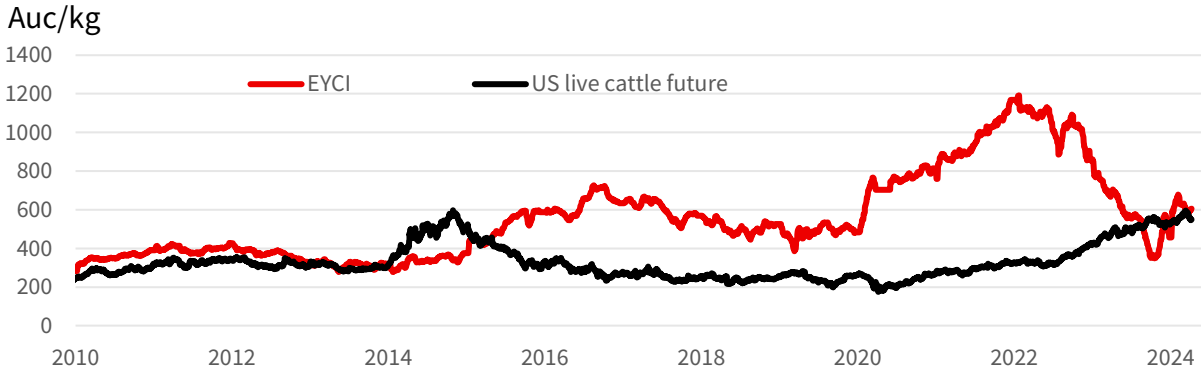
Female cattle slaughter rates have lifted in recent quarters, consistent with the overall increase in slaughter rates.

Both MLA and ABARES expect the herd to decline over the coming years as slaughter rates increase, though MLA expects a sharper decline earlier.

Price and outlook

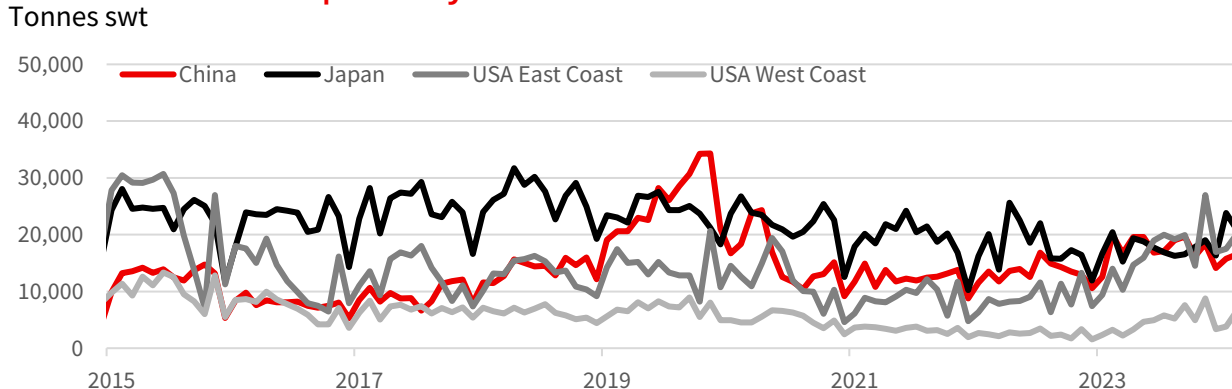


EYCI and US Cattle futures



The Eastern Young Cattle Indicator has seen some volatility over the past three years. It rose to historic highs in early 2022 on the back of tight supply, due to pandemic-related disruptions supply chains (including shortages in regional labour markets), the decline in slaughter rates, and increased consumer demand for homecooked meals. It ended its stellar run and as dry conditions set in in 2023 and the El Nino event was announced.

Australian Beef exports by destination



The EYCI has recovered into 2024, and in March 2024 was 70% above its October lows in monthly average terms. Beef prices are expected to remain elevated over the next year, supported by improved restocker demand on the back of better seasonal conditions and healthy export demand.

The value of Australian beef exports has increased into 2023-24 and is expected to continue to do so on the back of higher export prices and volumes. Demand from the USA has been particularly strong, supported by low slaughter rates after the liquidation of the US herd, which is now at its lowest level in over seven decades following prolonged drought conditions.

Source: NAB Group Economics, ABARES, Meat and Livestock Australia, Australian Bureau of Statistics, Bloomberg

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