

GLENRAC Market Update

Wednesday 20th July 2022



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1. **Analyses supply and pricing movement of Australian cattle, sheep & goat markets**
2. **Commenting on cattle herd rebuild, flock growth, price performance and export markets**
3. **Born and bred in Tamworth, from a beef and sheep background.**

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June Cattle Projections 2022

Key Takeaways



Industry projections 2022

Australian cattle – June update

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

KEY POINTS

- National herd rebuild to continue in its two paced environment, rising nationally by 5.5% to 27.5m head in 2022
- Slaughter numbers have been revised down to reach 6.15m head in 2022, driven by processor capacity and supply chain issues
- Record carcase weights are forecast to offset lower slaughter volumes, production is forecast to rise by 4.8 % to 1.97m tonnes



KEY 2022 NUMBERS



Slaughter:
6.15 million head



Carcase weights:
320 kg/head



Production:
1.97 million tonnes cwt



Beef exports:
1.45 million tonnes swt

* Graphic illustrates year-on-year change



Herd to grow by
1.4m head in 22'



Slaughter revised
down due to
processor
challenges

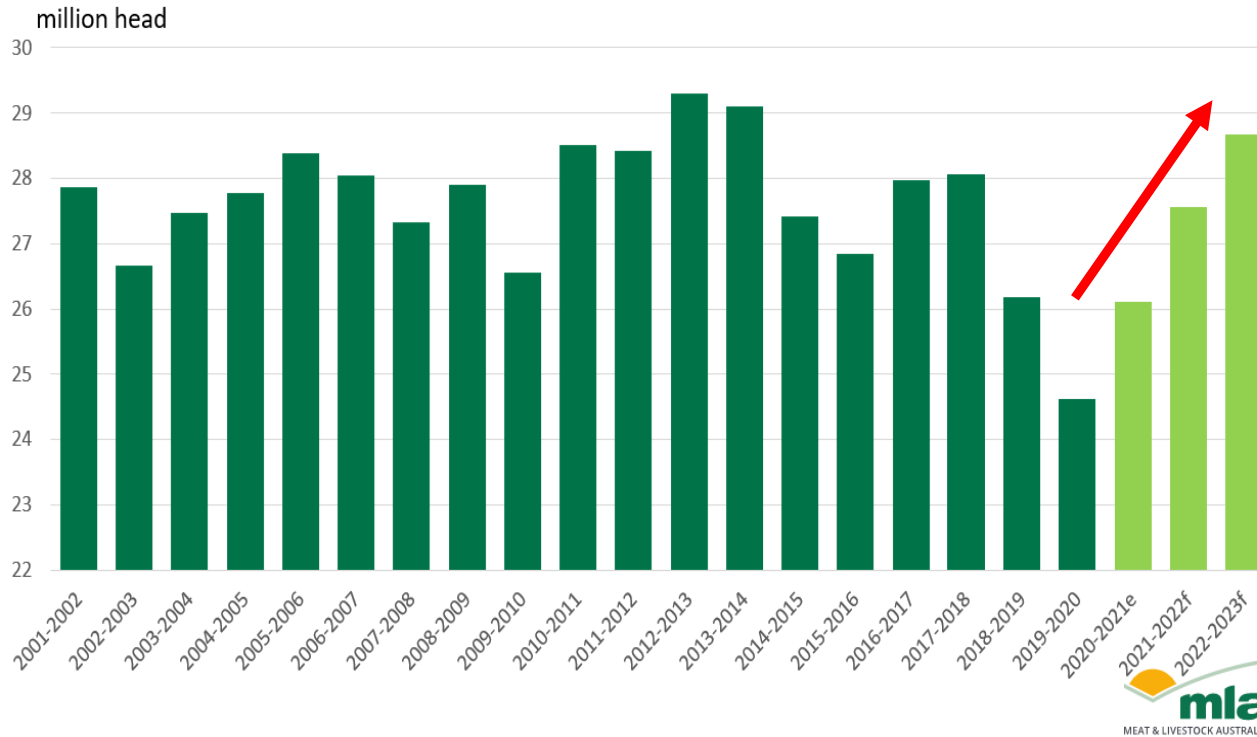


Higher cwt's
offset lower
slaughter



The National herd

Figure 6: National cattle herd



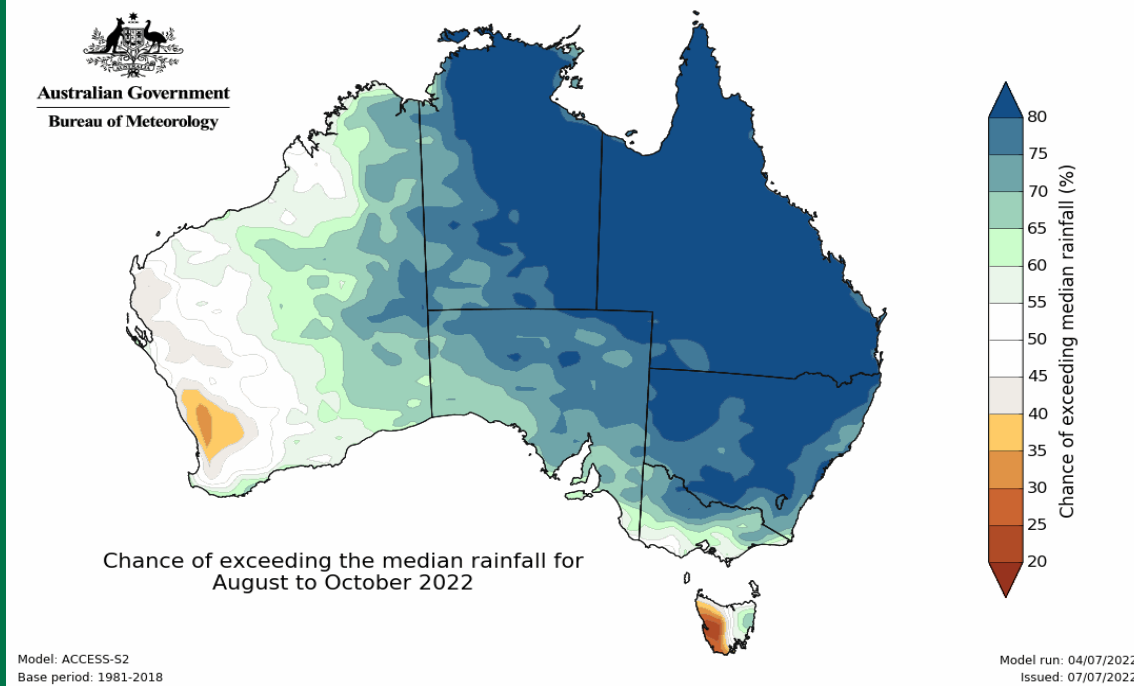
2022 – 27.58m head

- Up 5.6% or 1.4m head

2024 – 28.8m head

- Highest since 2014
- Up 11% on 2021 level

Assumptions



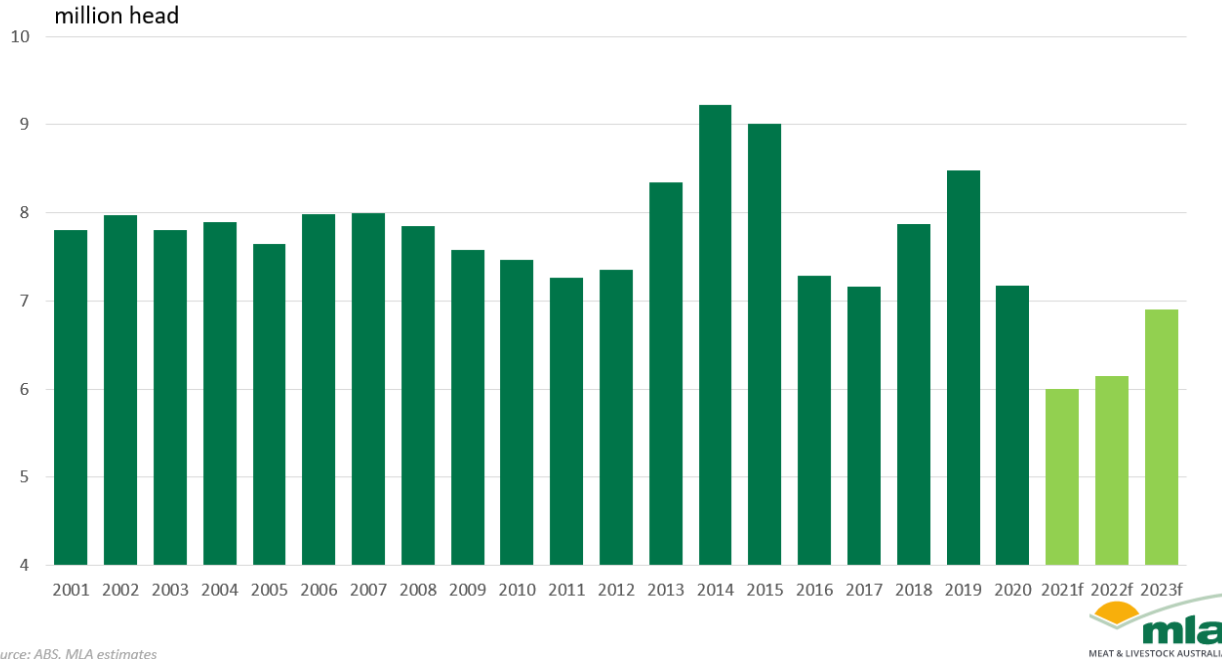
Continuation of favourable seasonal conditions for eastern seaboard



Forecast rainfall to set up the country for a big spring.

Slaughter

Figure 7: National adult cattle slaughter



2022 – 6.15m head

- Forecast 2% growth on 2021 volumes

2023 – 6.850m head

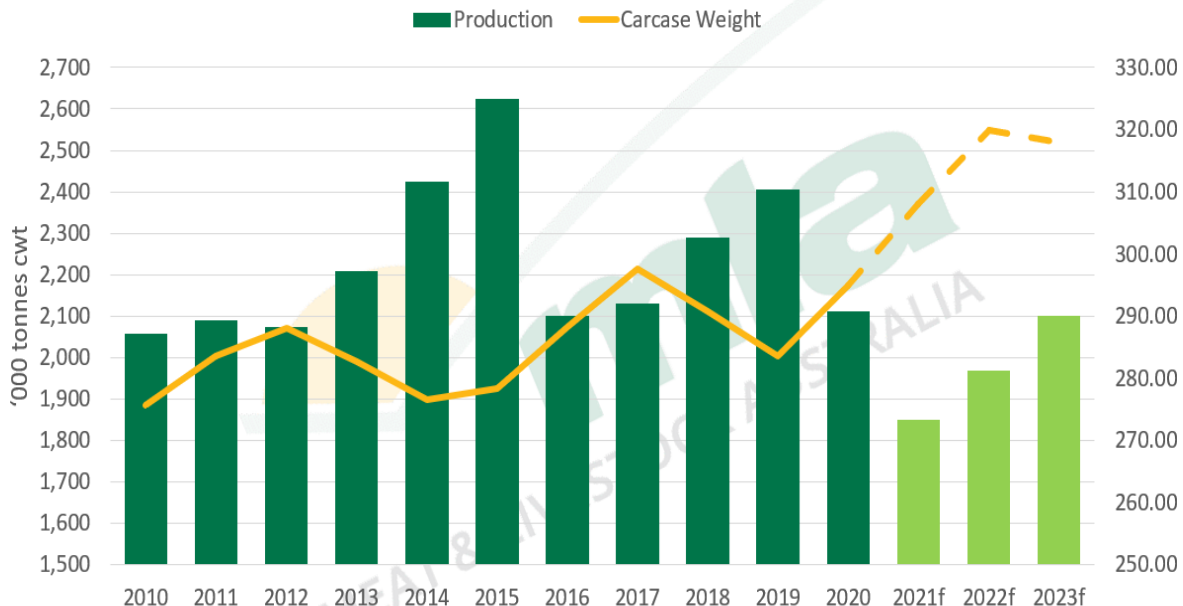
2024 – 7.4 m head

- Up 23% on 2021 volumes

Spring 2020 & Autumn 2021 calves reach processor weights = Supply increase in H2 2022

Carcase weights & production

Figure 9. Production and carcass weight



2022 – Cwt record

- 320kg/head
- 37kg rise since 19'

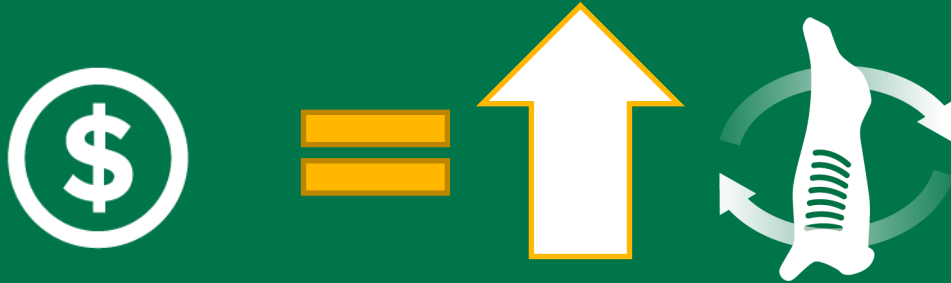
Production

- 1.97m tonnes
- Higher cwt's offsetting lower slaughter

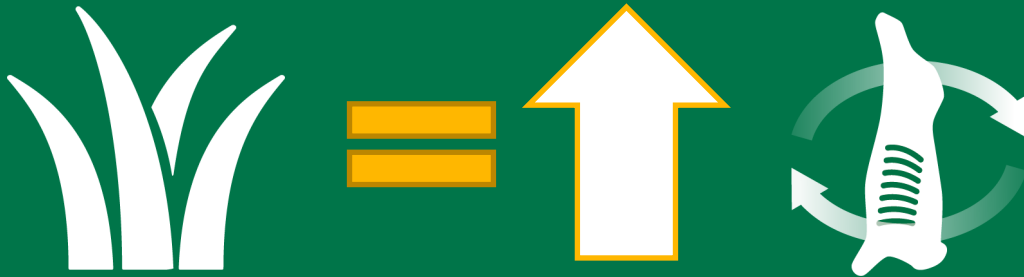
Source: ABS



Pasture availability & high prices drive cwt's

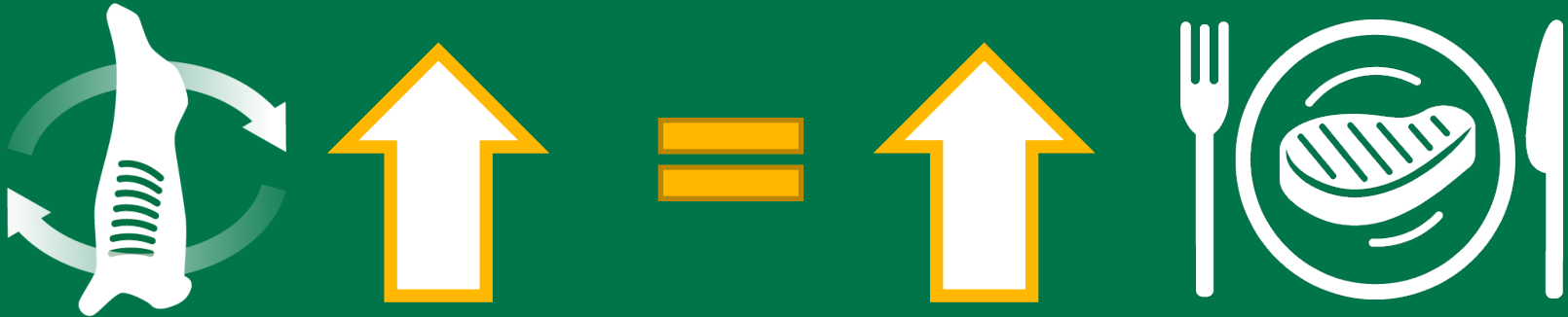


Historically high OTH prices
across most categories
incentivising producers to add
kilo's



Continuation of strong seasons,
for southern systems are lifting
overall processor turnoff carcass
weights

Higher cwt's offsetting lower slaughter

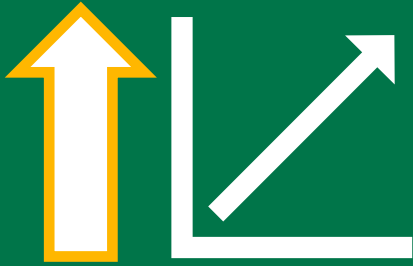


Higher cwt's + Lower slaughter = More production

Q1 2022

- Cattle slaughter down 5.8% year on year to Q1 2021
- Beef production down by 2.5% due to higher carcass weights
- This means the herd is producing more beef from less animals creating more efficiencies due to higher carcass weights

Key Macro Issues



Inflation

- Global rate rises
- Inflation to impact domestic meat price



Freight & Shipping

- Forecast to remain into 2023
- Costs have surged up to 700%
- Access to refrigerated containers
- Cost hikes for live export



Labour

- Sustained impact on processing sector and capacity
- Long term immigration challenge in Aus Ag workforce

Low AUD



Good for exports

Eastern Young Cattle Indicator

Eastern States Young Cattle Indicator

Report Date: 19/07/2022

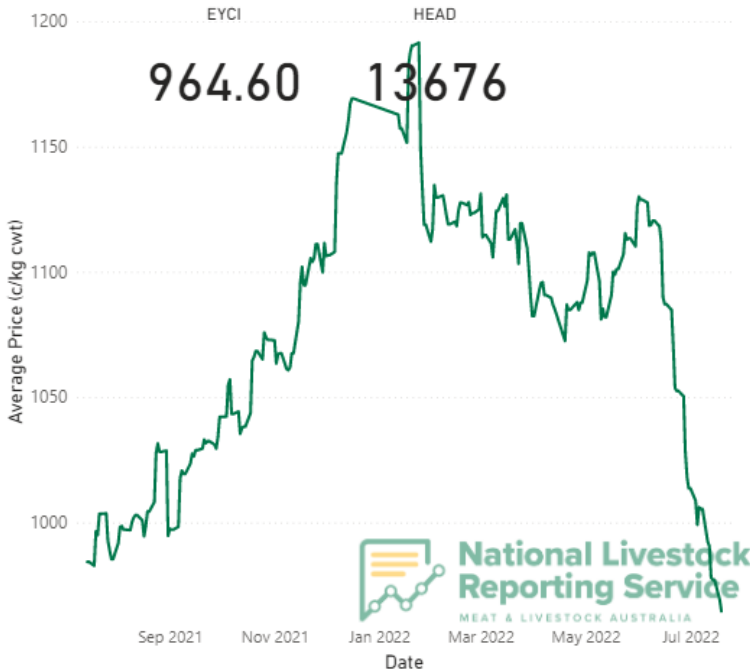
Report Date

Latest Date ▼

Change Over
 1 Day 1 Week 4 Weeks 1 Year
 -4.62 -25.98 -105.40 -31.81

EYCI 7-day rolling average contributors

Saleyard	Head	Avg Price (c/kg cwt)	Contribution
Roma Store	5091	1004.00	37.23%
Dalby	2550	927.16	18.65%
Wagga	1017	958.05	7.44%
Gunnedah	1011	990.28	7.39%
CTLX Carcoar	706	945.73	5.16%
Forbes	477	864.31	3.49%
Warwick	457	884.18	3.34%
TRLX Tamworth	406	1011.72	2.97%
Casino	390	981.73	2.85%
Moss Vale	372	889.68	2.72%
Scone	370	985.33	2.71%
Toowoomba	274	873.76	2.00%
NIVI Y Weddara	174	947.75	1.27%



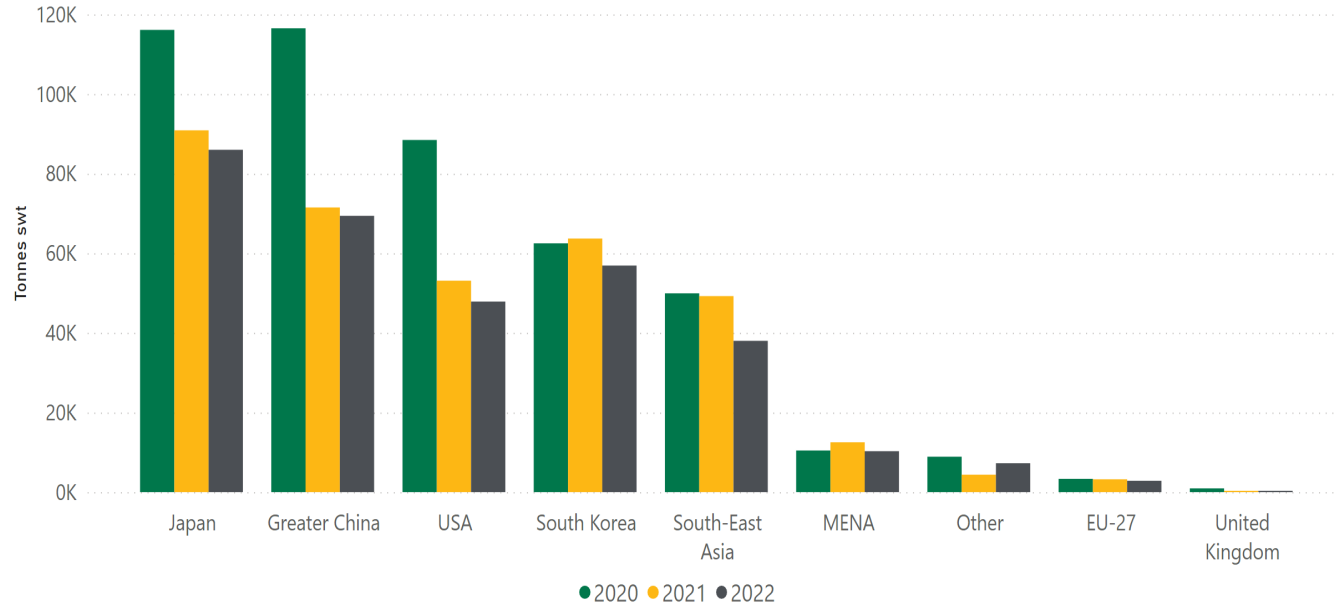
Current Market

- Price has fallen 19% or 227c from January record of 1,191c/kg cwt

Market Drivers

- Finished quality of cattle
- Processor's lowering grid prices
- Supply

Beef exports by market - Year to June



Source: DAFF



Chinese resilience

- Despite challenges, China exports higher by 1% year to June

Canada

- Year to June export growth of 104%

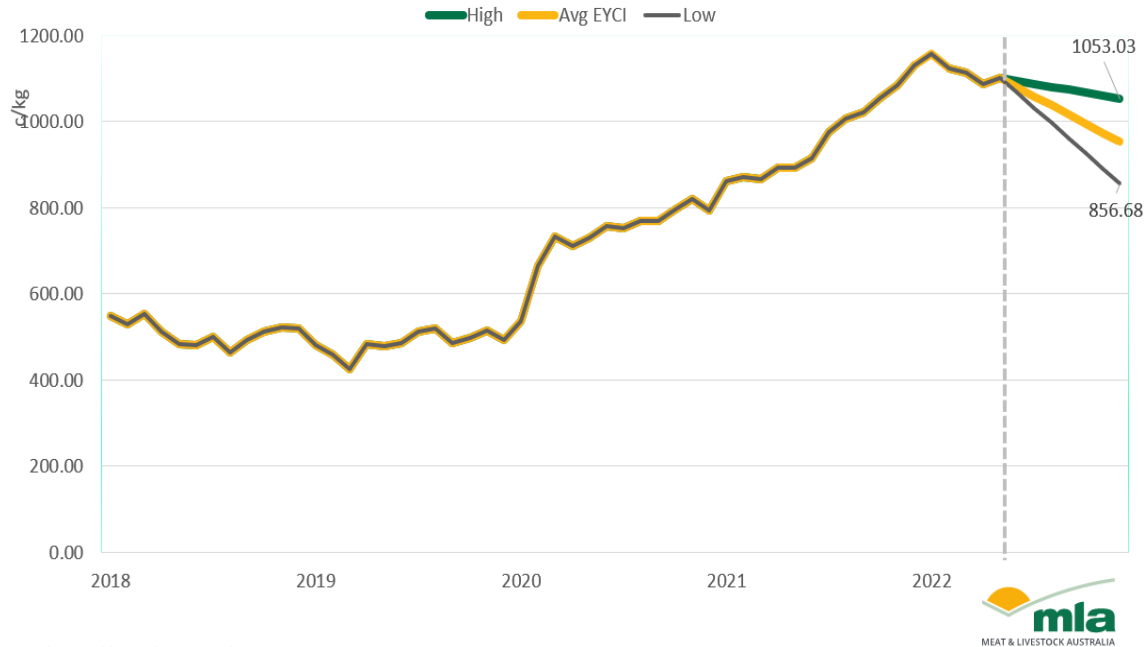
Thailand

- Growth of 55% YoY



The market in 2022

Figure 16: Aggregated Industry Average EYCI Price Forecast



Source: Rabobank, NAB, Thomas Elder Markets, Mercado, ABARES

The aggregated average of industry analysts (Ex. MLA)

Date: 31 December 2022

Upper Limit

- 1,053/kg cwt

Medium

- 953/kg cwt

Lower Limit

- 856/kg cwt

Source: Rabobank, ABARES, TEM, Mercado, NAB

July Sheep Projections 2022

Key takeaways



Industry projections 2022

Australian sheep – July update

MLA's Market Intelligence – globalindustryinsights@mia.com.au

KEY POINTS

- National flock to reach 76m and grow by 7.2% year on year
- Higher carcass weights and strong lamb slaughter volumes forecast to deliver record lamb production in 2022
- Lamb exports forecast to reach record levels of 308,000 tonnes



KEY 2022 NUMBERS

- ↗ **Lamb slaughter:**
22 million head
- ↗ **Lamb production:**
549,000 tonnes cwt
- ↗ **Lamb exports:**
308,000 tonnes swt
- ↑ **Sheep slaughter:**
6.12 million head

*Graphic illustrates year-on-year change



Flock to grow by
3.75m head

2

Lamb slaughter
up 7% in 2022

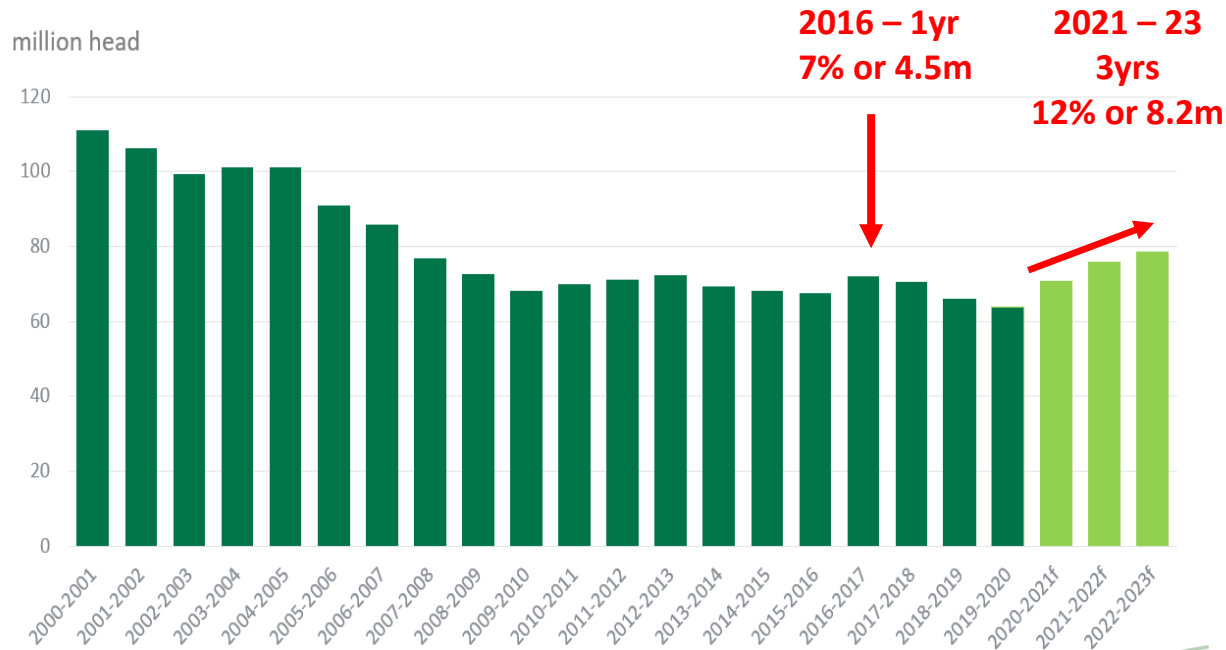
3

Record lamb
production and
exports driven by
cwt's & slaughter



The National flock

Figure 5: National sheep flock



Source: ABS, MLA estimates



2022 – 76.02m head

- 8% or 5.4m head growth on 2021 volume

2023 – 78.8m head

- Highest since 2009
- Up 12% on 2021 level

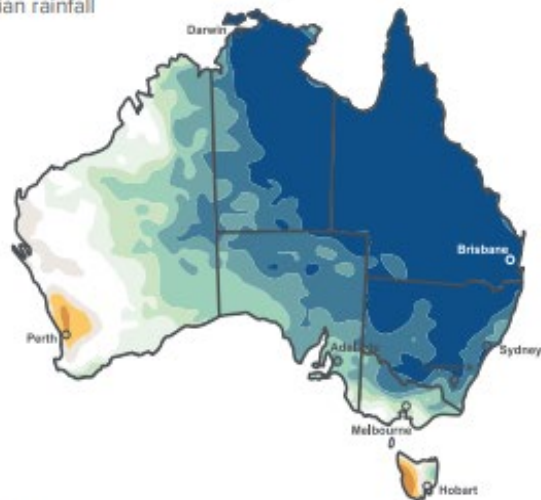
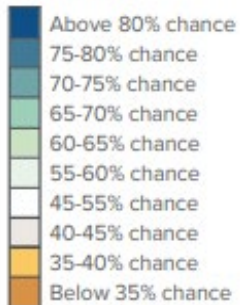


Key weather assumptions

Figure 1: Australian rainfall outlook – Aug to Oct 2022

Chance of exceeding the median rainfall

Legend

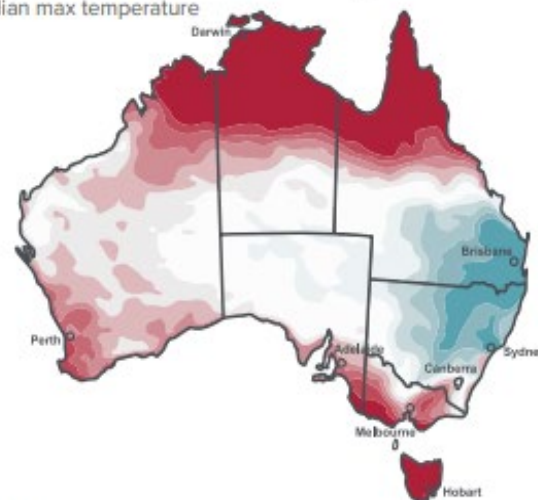
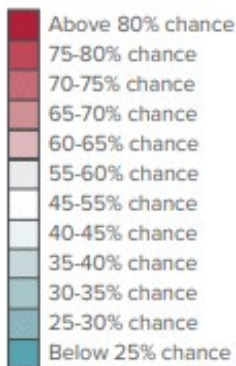


Source: Bureau of Meteorology

Figure 2: Australian temperature outlook – Aug to Oct 2022

Chance of exceeding the median max temperature

Legend



Source: Bureau of Meteorology

Forecast continuation of strong seasons for Eastern Australia

Average to below average maximum temps. for eastern states

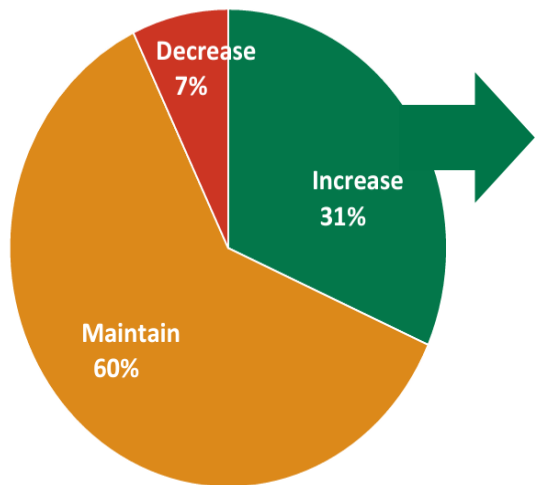


Favourable pasture conditions

Promotes lambing percentages

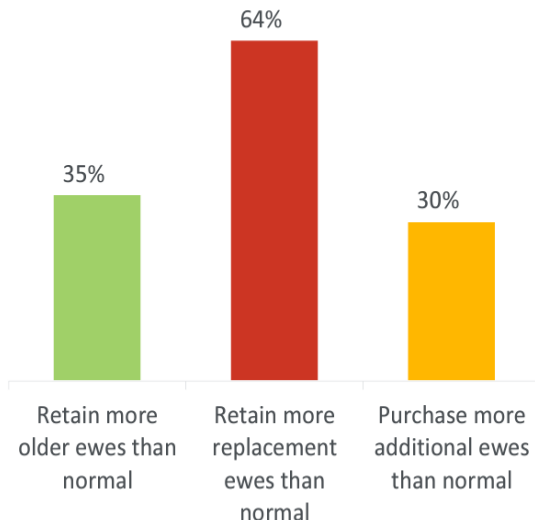
Marking rates & producer intentions to drive growth

Ewe flock intentions



Sample base (respondents) n=1,338

How to achieve increase



Sample base (respondents) n=419

Source:

February 2022 Wave of the AWI/MLA Sheepmeat/Wool Survey

31% ↑

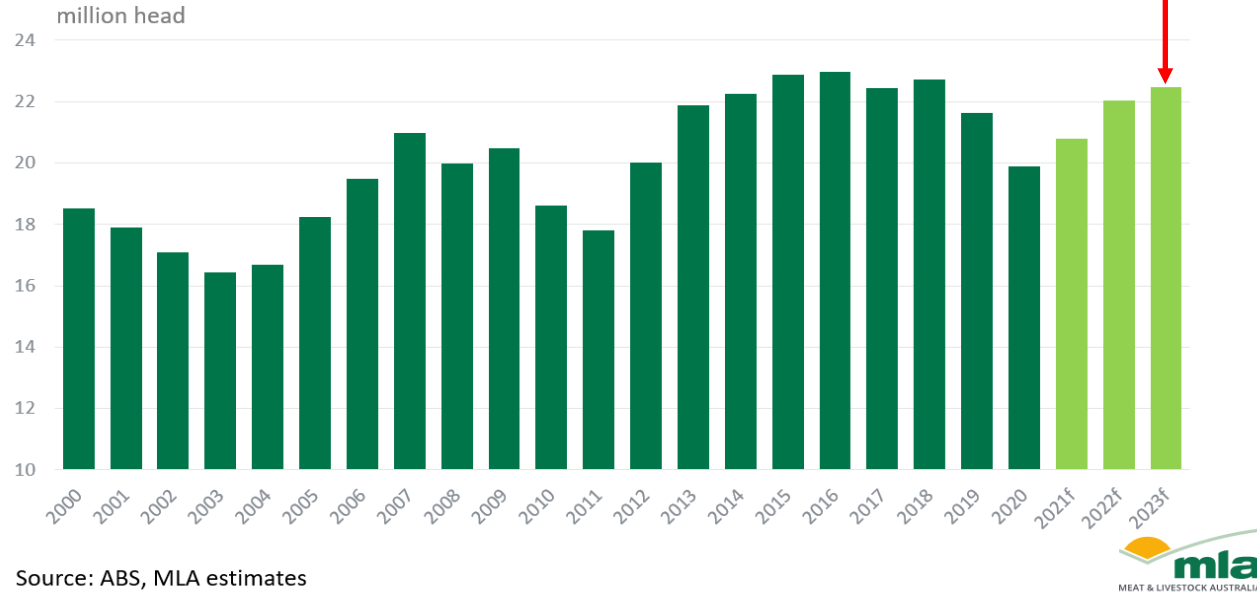
Producers intend to increase flock numbers in the next 12 months

64%

Producers intend to retain more replacement ewes to drive increased numbers

Lamb slaughter

Figure 6: National lamb slaughter



2022 – 22m head

- 6% higher than 2021 volumes
- 2021 cohort carry over
- YTD slaughter firm on 2021 levels

2023 – 22.6m head

- 8.6% higher than 2021 levels

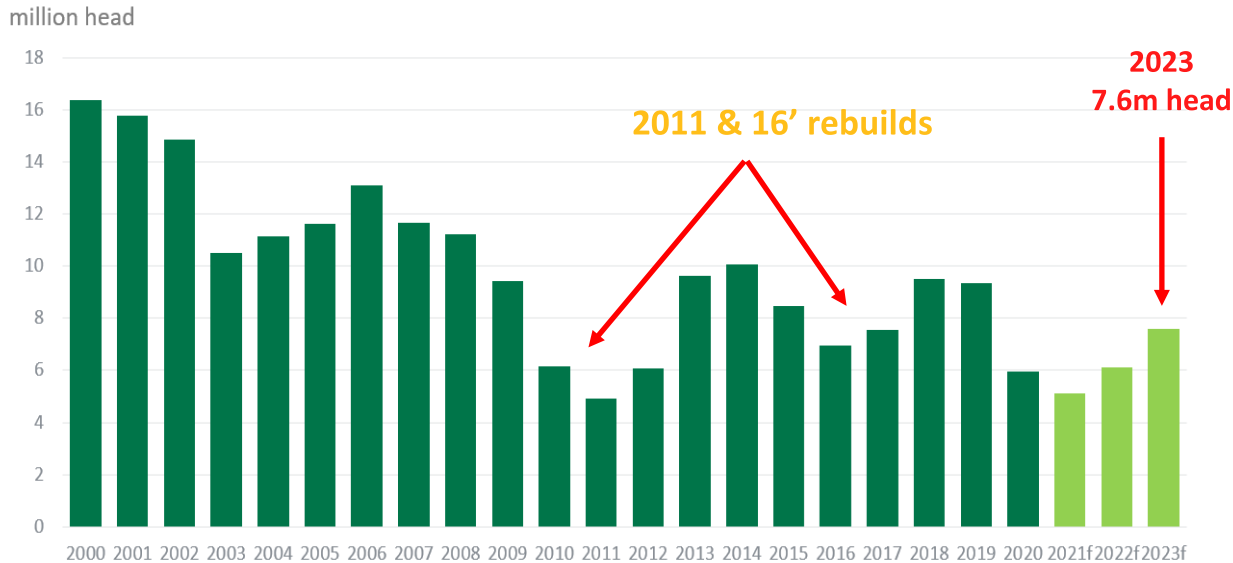
Marking rates **+** larger breeding flock



- Larger lamb cohort
- Higher turnoff volumes

Sheep slaughter

Figure 7: National sheep slaughter



Source: ABS, MLA estimates



2022 – 6.12m head

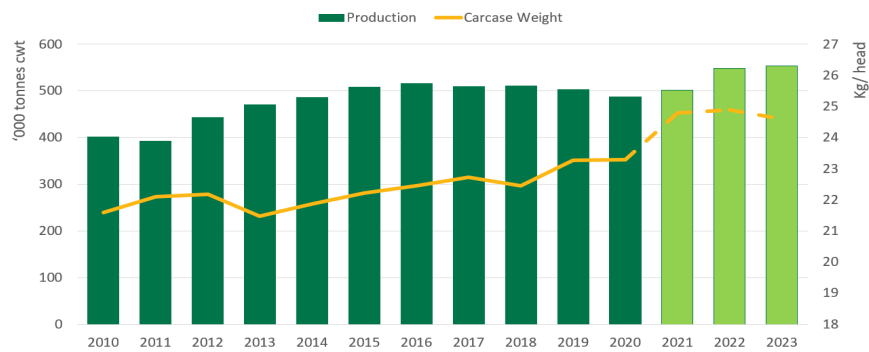
- 20% above 2021 levels
- Signs flock growth is maturing
- Not unusual to see strong rebound in 2023

2023 sheep slaughter to 7.5m head demonstrates flock growth has matured, **seeing ewe turnoff increase**

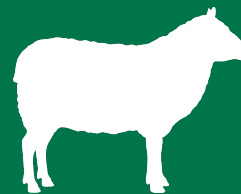


Carcase weights & production

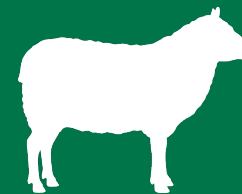
Figure 8: Lamb carcase weights and production



Source: ABS, MLA estimates

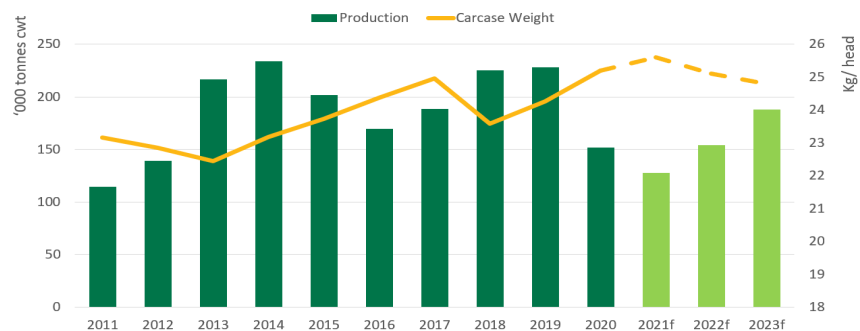


Lamb



Sheep

Figure 9: Sheep carcase weights and production



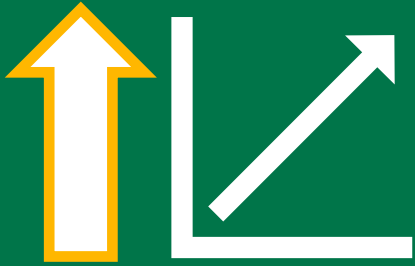
Source: ABS, MLA estimates



- Small growth to 25kg/hd
- Production to reach record in 2022 on the back of slaughter and higher cwt's
- Lamb exports to also reach a record in 2022 of 308,000 tonnes
- CWT decline to 25.1kg/hd
- Large slaughter uptick to drive production volumes above 188,000 tonnes in 2023



Key Macro Issues



Inflation

- Global rate rises
- Inflation to impact domestic meat price



Freight & Shipping

- Forecast to remain into 2023
- Costs have surged up to 700%
- Access to refrigerated containers
- Cost hikes for live export



Labour

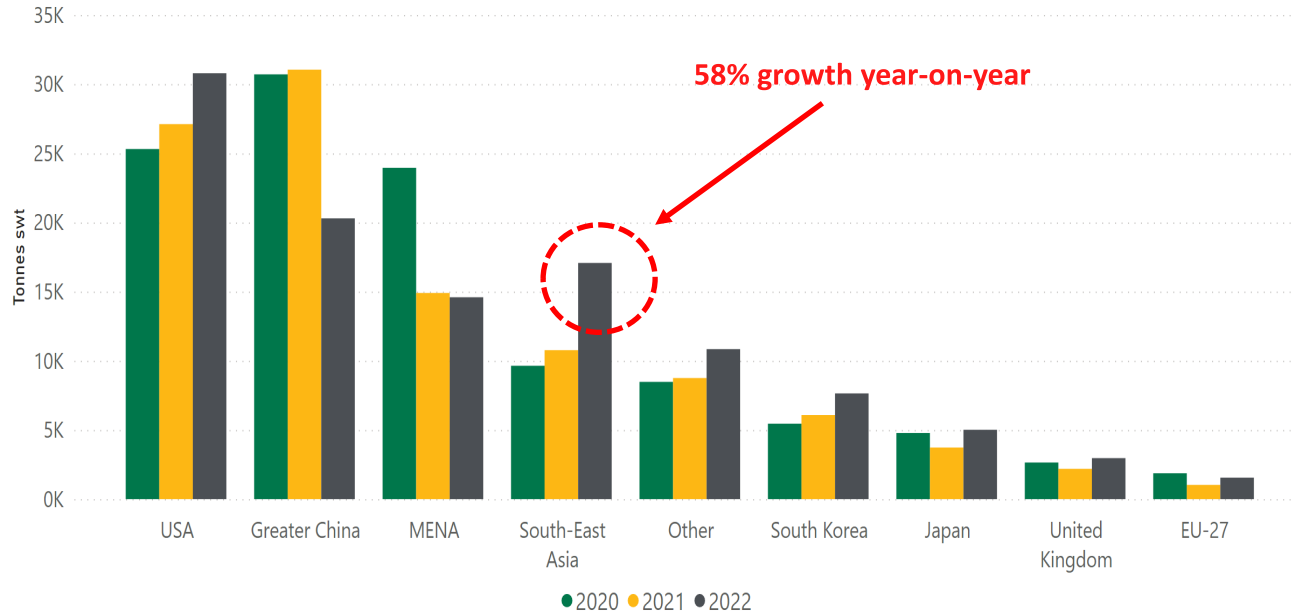
- Forecast impact slaughter capabilities
- Long term immigration challenge in Aus Ag workforce

Low AUD



Good for exports

Lamb exports by market - Year to June



Source: DAFF



US growth as #1

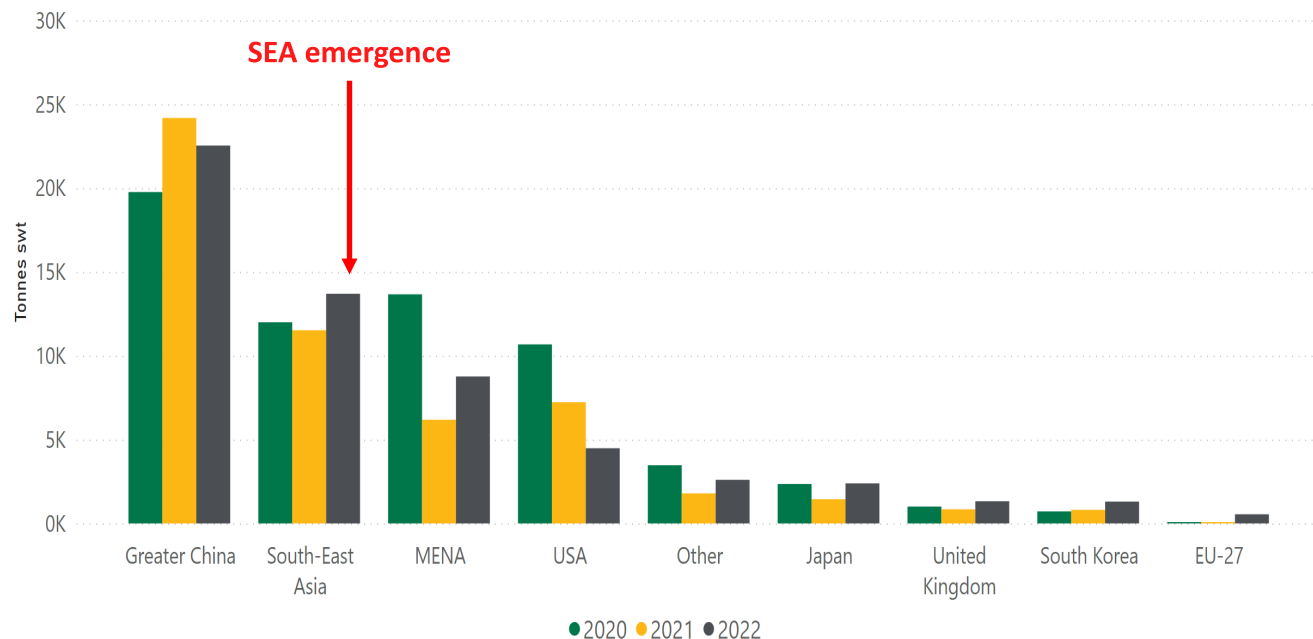
- 7% growth YoY
- Increasing consumer education + demand for lamb

SEA emergence

- PNG ↑ 75%
- South Korea ↑ 32%
- Malaysia ↑ 42%
- Changing consumer tastes + high demand



Mutton exports by market - Year to June



Source: DAFF

SEA growth in 22'

- 18% growth YoY
- Malaysia growing 25% YoY

China's role

- Accounts for 35% of total exports

The market in 2022

Industry analyst NTLI forecast



Source: NAB, TEM, Mecardo, AuctionsPlus, Rabobank



The aggregated average of industry analysts (Ex. MLA)

Date: 31st December 2022

Upper Limit

- 845c/kg cwt

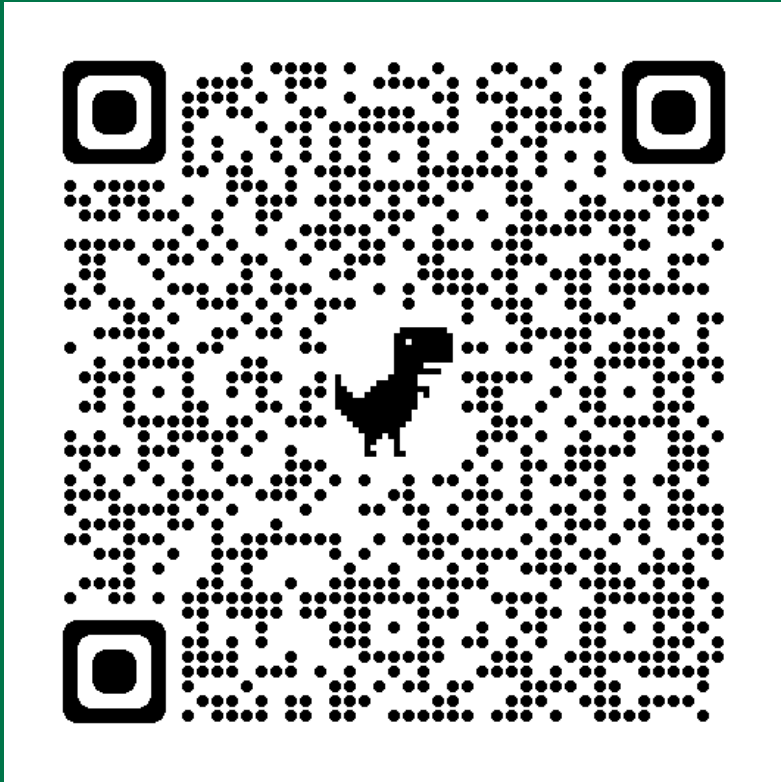
Medium

- 785c/kg cwt

Lower Limit

- 714c/kg cwt

Foot & Mouth / Lumpy Skin Disease Webinar



**Webinar on tonight between 6pm
and 7pm AEST**

**Scan QR code to view details on
website**

4 industry experts

- John McKillop
- Fiona Simson
- Dr Chris Parker
- Dr Samantha Allan

Questions?



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