Industry projections 2024

Australian cattle – September update

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KEY POINTS

- In 2024, elevated turn-off from breeding cows is expected to result in the national herd easing.
- Slaughter is expected to rise, driven by a larger and more productive herd.
- US beef production is declining, creating an opportunity for Australian beef in the global market.

KEY 2024 NUMBERS

Herd:
30.2 million head

Slaughter:
8.18 million head

Carcase weights:
310 kg/head

Production:
2.53 million tonnes cwt

*Graphic illustrates year-on-year change

Summary

The national cattle herd has reached and passed a cyclical peak after operating at maturity for the past 12 months. Elevated turn-off will ensure a higher supply of finished beef, though turn-off of retained and utilised cows will stabilise the breeding herd.

Northern:

- The northern herd is expected to stabilise in 2024 and 2025 as average-to-good wet seasons will continue to support a large, productive breeding herd and increasing numbers of cattle exported into South-East Asia.

Southern:

- Southern Australia will drive the contraction of the herd over the forecast period, as strong overseas beef demand supports higher turn-off in a now-mature herd.

The Australian cattle herd is expected to maintain a mild destock over the forecast period, as the age profile of the herd continues to mature and strong overseas demand encourages turn-off of processor-ready cattle.

Slaughter is expected to rise above 10-year averages but remain well below the all-time peak previously set in 2014. We expect seasonal conditions to remain largely average in southern Australia and average-to-good in northern Australia, meaning that increases in turn-off will be driven by increasing availability of processor-ready cattle, as opposed to a climate-driven need to reduce stocking rates.

In particular, much of the breeding herd that was retained to power the rebuild is now mature and ready to be turned off. We expect that much of the rise in slaughter will be from this cohort, which will push the female slaughter rate (FSR) above average. This dynamic has been evident across the first two quarters of 2024 and will continue.

Increased numbers of cattle entering feedlots, alongside ongoing producer efforts to improve cattle genetics and on-farm management practices, have meant that carcase weights will remain high throughout the forecast period. As a result, beef production and exports will rise above the previous annual peak set in 2014, despite cattle slaughter not reaching record levels. The United States' (US) cattle herd is likely to enter 2025 smaller than it was in 2024 – a year which saw the herd at its smallest point in 72 years. Regardless of when the US enters a rebuild phase, its cattle supply will nevertheless remain low as calving rates during the past five years have been below average and cattle availability has already begun to decline.

The resultant beef shortage in the US will drive demand for Australian beef globally – both in the US as a direct substitute for domestic product – but also in key north Asian export markets where Australia and the US compete for market share.

Table 1: Situation and outlook for the Australian cattle industry

	2018	2019	2020	2021	2022	2023	% change 2023 on 2022	*2024f*	*2025f*	*2026f*	*% change 2026f on 2023*
Cattle numbers ('000 head)*											
As at 30 June	30,787	28,992	27,701	28,532	29,388	30,604	4%	*30,177*	*29,573*	*28,686*	*-6.3%*
Percentage change		-7.0%	-6.0%	6.0%	5.6%	4.1%		*-1.4%*	*-2.0%*	*-3.0%*	
Slaughterings ('000 head)											
cattle	7,873	8,482	7,145	6,018	5,850	7,029	20%	*8,180*	*8,383*	*7,984*	*14%*
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%	*8,517*	*8,743*	*8,358*	*13%*
Avg carcase weight (kg)											
cattle	290.8	283.4	294.3	313.0	319.5	314.6	-2%	*309.5*	*304.7*	*305.1*	*-3%*
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%	*2,532*	*2,554*	*2,436*	*10%*
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%	*2,544*	*2,568*	*2,450*	*10%*
Cattle exports ('000 head)											
	1,126	1,304	1,049	772	600	674	12%	*810*	*860*	*890*	*32%*
Beef exports ('000 tonnes)**											
total carcase weight	1,655	1,807	1,528	1,305	1,265	1,591	26%	*1,887*	*1,904*	*1,796*	*13%*
shipped weight	1,126	1,229	1,039	888	855	1,082	27%	*1,359*	*1,371*	*1,293*	*20%*
Domestic utilisation ('000 tonnes carcase weight)***											
total carcase weight	639	618	591	585	619	626	1%	*645*	*650*	*640*	*2%*
kg/head***	25.5	24.3	23.1	22.8	23.6	23.7	0%	*24.2*	*24.1*	*23.5*	*-1%*

Source: ABS, DAFF, MLA forecasts

f = forecast

* MLA has adopted the current ABS herd model for historic figures with the exception of a 3% adjustment from 2022.

** 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

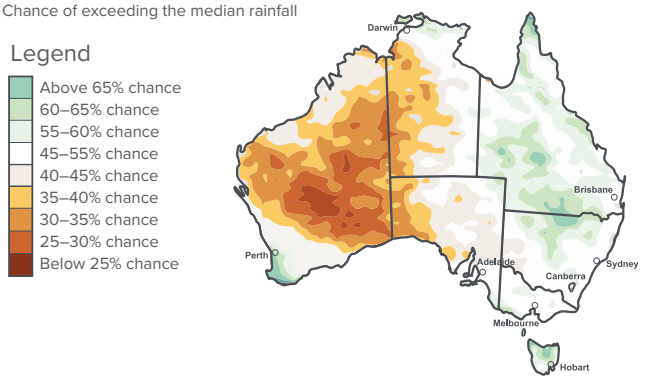
Weather

Over the past 12 months, the Australian climate has shifted from a declared *El Niño* through to the neutral conditions experienced by much of the country today. The Bureau of Meteorology (BOM) suggests there is an increased chance of a negative Indian Ocean Dipole (IOD) in spring, which could bring above-average winter-spring rainfall over parts of southern Australia.

BOM reports indicate sea surface temperatures were the warmest on record between April 2023 and June 2024. The current global pattern of warmth, however, differs from historical patterns. This indicates the future climate outlook is uncertain as we are operating in an environment that differs from seasonal trends. Overall, Australia is experiencing an average rainfall year.

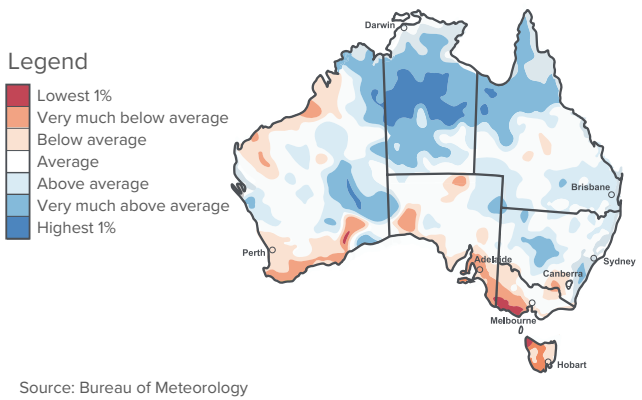
Figure 1: Australian rainfall outlook – Sep to Nov 2024

Chance of exceeding the median rainfall



Source: Bureau of Meteorology

Figure 2: Year to date – Root zone soil moisture



Source: Bureau of Meteorology

The season over summer was positive for two-thirds of the mainland, spanning over Queensland, NSW, northern parts of the NT, Victoria and southern SA, which all experienced rainfall on par with an average year. With the expectation that rainfall would continue into the autumn months, producers made business decisions acting on regular joining and stock retention. Unfortunately, conditions in south-east SA, north-east Victoria, and Tasmania turned, drying off fast and leaving producers with stocked paddocks. These dry conditions have continued throughout winter.

Northern Australia had a relatively positive wet season. Queensland experienced consistent rainfall, bar some pockets between Rockhampton and Mackay. While Far North Queensland and the Territory had a decent rain, the Western Pilbara was not as fortunate.

The outlook over the next three months from September to November is varied. Regions across Victoria, NSW, Queensland and eastern SA are set to receive some relief, returning to a normal chance of exceeding rainfall. Coastal WA is expected to see an average quarter, though central and southern WA are forecast to dry out, with these conditions moving into western SA.

Finances

Interest rates

As of the most recent meeting of the Reserve Bank of Australia (RBA) in August, the cash rate remains at 4.35% – the highest it's been since November 2011. Extended periods of high interest rates continue to place pressure on agricultural businesses through land values and loan financing. The big four Australian banks are forecasting an ease over the next 12 months.

- ANZ: 4.35% peak, with the first cuts to start around February of 2025.
- CommBank: 4.35% peak, first cut is likely to occur around November 2024.
- NAB: 4.35% peak, with first cuts to occur around May of 2025.
- Westpac: 4.35% peak, first rate cuts to occur around November 2024.

Inflation

According to the Australian Bureau of Statistics (ABS), the inflation rate dropped to 3.5% in July 2024 (down from 3.8% in June). This remains below the 2022 records, through is still some way above the midpoint of the 2–3% target range. Looking forward, the RBA has indicated the pathway forward will remain uncertain as a return to target remains the priority.

The combination of high inflation and interest rates has stalled economic growth, which has grown by just 0.1% in the first three months of the year. The uncertainty of inflation puts pressure on industry and will continue to have an impact, creating an uncertain environment for businesses' decision making.

Exchange rates

The current exchange rate between the Australian dollar and the US dollar remains at A$1.53/USD as at the last RBA meeting in August, making the Australian dollar considerably weaker than the five year average of A$1.45/USD.

This has had the effect of making exports cheaper overseas and increasing the price of imports. Accordingly, the weak Australian dollar has increased the competitiveness of Australian beef overseas and has driven the demand for our beef over American beef in North Asian markets. Conversely, the costs of imported inputs such as fuel and fertiliser have increased on-farm in Australia.

Cost of inputs

Employment

The 2024–25 migration program has opened up a total of 132,200 places to fill labour shortages in key industries. This is a decrease of 3.5% in comparison to 2023–24, indicating the migration program has been effective in filling those labour shortages. The regional category can expect an increase of 2,300 places – which effectively supports key government commitments to regional Australia.

Council rates

Council rates are a growing cost for small business owners. Rates have lifted varyingly across different jurisdictions, but in some areas, they represent the fastest growing cost for producers. Rate rises can be a source of stress for producers, with services for cost not always apparent in the immediate rate cycle.

Electricity and fuel

Fuel and electricity costs will continue to put pressure on operating costs. According to the ABS, electricity costs have increased by 4% compared to the beginning of the year. National average diesel costs across August have eased 3% on where they were at the start of the year, and are operating at 12% below the same time last year.

Supply

Updated ABS figures have been used in the development of the charts and forecasts in this document

In June 2024, the ABS released a set of agricultural statistics using new methods and data sources, causing a revision of many figures, including cattle herd size. Going forward, MLA will move to adopt the current ABS herd model as our base for herd size, with the exception of one adjustment in FY2021–22. In that year, ABS historical figures had a 0.0% change to the herd size.

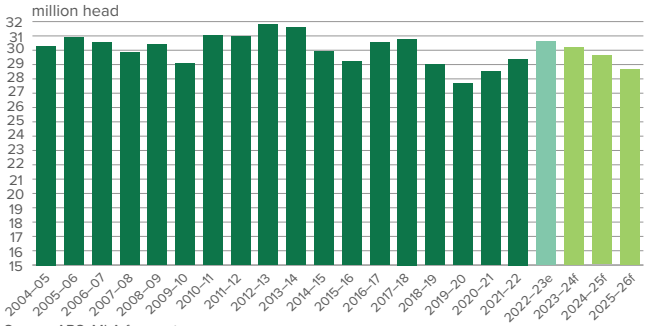
MLA insights and industry commentary, supported by the lowest slaughter number in 36 and 38 years in 2021 and 2022 respectively, does not support a stable herd over this period. MLA has adjusted the ABS herd size up 3% as per 2023 MLA estimates, which has in turn lifted the subsequent years. Current forecasts are based off this subtle adjustment.

Herd

In 2024 the national herd is expected to ease by 1.4% to 30.2 million head – a decline of slightly over 400,000 head. In 2025, the herd is expected to fall another 2% to 29.5 million head, and ease 3% in 2026 to 28.6 million head. Taken together, by 2026 we forecast that the herd will be 6.3% smaller than the cyclical peak observed in 2023. Under the assumption that climatic conditions will follow average trends, 2026 is likely to be the end of the destocking phase, representing a cyclical low in the cattle cycle.

The herd forecast assumes average to slightly-below average rainfall over the forecast period. After several years of herd rebuilding and maintenance, the herd is relatively mature. During this rebuild, breeding cows were retained for more cycles than normal to build up numbers. We expect many of those cows to be turned off over the forecast period as producers refine their stocking rates post a hefty restock phase. These cows entering the system will account for a portion of elevated female slaughter ratios. The remainder of the reduction in numbers is expected to come from the localised effect of adverse weather. While conditions are largely assumed to remain average, we expect that conditions could deteriorate, which would lead to herd destocking locally.

Figure 3: National cattle herd



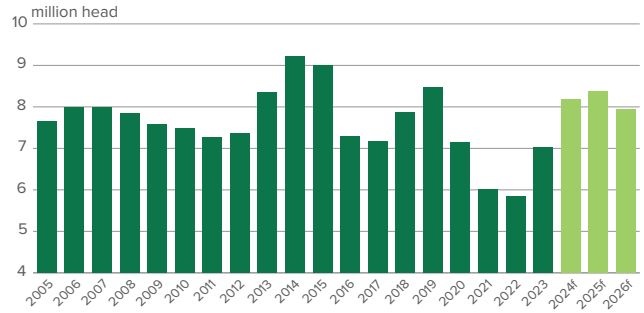
Source: ABS, MLA forecasts

Slaughter

Adult cattle slaughter is forecast to rise by 16.4% over 2024 to 8.2 million head – the highest figure since 2019. In 2025, we forecast another 2.5% rise in slaughter to 8.4 million head, before easing by 4.8% in 2026 to just below 8 million head.

This increase in slaughter will be driven by a large, productive herd operating at maturity. Slaughter is not expected to rise above 2019 levels at the peak of the previous destock, when drought conditions severely impacted turn-off. Looking forward, slaughter will remain relatively stable in 2025 and 2026 as turn-off continues from a high base.

Figure 4: National adult cattle slaughter



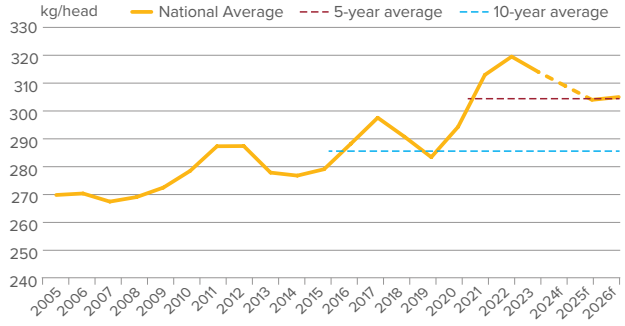
Source: ABS, MLA forecasts

Carcase weight

In 2024, carcase weights will fall 1.4% to 309.5kg, largely due to the increase in female slaughter as a proportion of total adult slaughter. In 2025, carcase weights will continue to fall to 304.7kg, before beginning to rise in 2026 to 305.1kg, back in line with the five-year average.

As improvements in cattle genetics and the growth of lot feeding have contributed to a structural shift in carcase weights over the previous decade, they will remain well above long-term averages over the forecasted period.

Figure 5: National carcase weights on long-term averages



Source: ABS, MLA forecasts

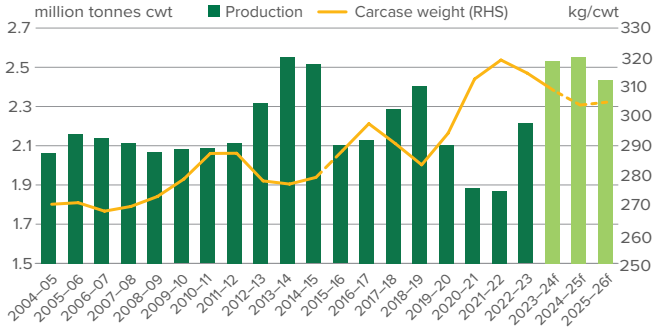
Access MLA's NLRS weekly slaughter report: mla.com.au/prices-markets/slaughter

Production

Production is forecast to rise by 18% in 2024 to 2.53 million tonnes (mt), which will be the highest production volume since 2015. In 2025, production is forecast to rise just under 1% to 2.55mt which will be a record year for beef production, before falling back 4.6% in 2026 to 2.44mt.

While slaughter is not forecast to reach the peaks seen in 2014 and 2015, average carcase weights are now routinely 20–30kg higher than a decade ago, which indicates production volumes will lift to record highs without slaughter reaching record levels.

Figure 6: Cattle carcase weights and production



Source: ABS, MLA forecasts

Live export

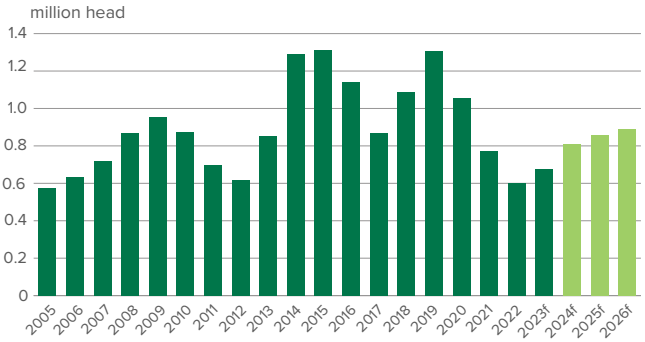
Exports in January to June 2024 have exceeded expectations so far, and have increased by 24% compared with the same period in 2023. At the beginning of the year, MLA forecasted a 7% uplift in live cattle exports for the full calendar year 2024 compared with 2023, largely due to uncertainty about the capacity of markets to absorb the increased supply. An increase in supply, more competitive Australian cattle prices and a slow but continued demand recovery in key markets, are drivers for a higher-than-expected export volume.

However, a downturn in China's dairy sector – the third largest Australian market and the largest for breeder cattle – is resulting in a quiet demand for Australian dairy breeder cattle, with the average value per head adjusted down substantially in the last year. China's live cattle imports are currently forecast to decline out to 2028.

Generally, across South-East Asia, consumers still suffer from weaker purchasing power caused by higher living costs, particularly for food and related services. Given that red meat is considered a premium protein with a higher price point compared to alternatives, the consumption dynamic has been impacted and is recovering more slowly than anticipated. There has, however, been a gradual improvement in consumption fundamentals, including economic recovery from pandemic disruptions and a solid rebound in inbound international tourism. These are the propellers of growing demand in key South-East Asian markets.

Vietnam, historically the second-largest market for Australian live cattle, continues to recover after bottoming out in 2022, underpinned by an improved economy and competitive pricing of Australian cattle. The price of Australian cattle remains favourable when compared to alternatives from Thailand and Myanmar. Nevertheless, the market dynamics are complex, with competition from various cattle suppliers and growing consumer acceptance of frozen imported beef expected to continue to influence the trade landscape.

Figure 7: Australian live cattle exports



Source: ABS (pre-2015), MLA forecasts

In Indonesia, robust demand from cattle importers is projected for the latter half of 2024, particularly in the final quarter. This forecast increase is in anticipation of Eid al-Fitr at the end of March 2025, and importers are keen to avoid any possible delays relating to the issuing of import permits early in 2025. In the medium term, the notable decline in the Indonesian cattle population, largely due to disease outbreaks, is expected to heighten demand for imports, particularly Australian cattle for fresh meat, to bridge the beef supply gap and manage domestic beef prices. The live cattle export sector is navigating a complex landscape of fluctuating demand and competitive pressures. However, gradually improving import drivers are incrementally bolstering demand for Australian cattle in pivotal South-East Asian markets, indicating a positive trajectory for the coming years for live cattle exports.

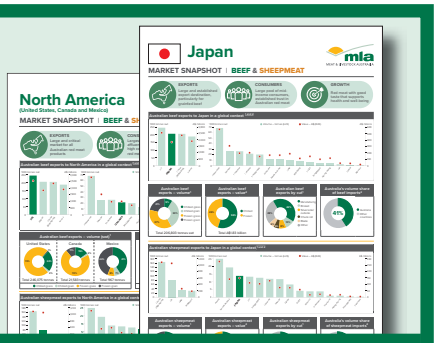
▶ Access MLA's LiveLink interactive dashboard for export statistics: mla.com.au/prices-markets/trends-analysis/livelink

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.



▶ Access the latest market snapshots: mla.com.au/prices-markets/overseas-markets

Key macro issues

Risk management in the red meat and livestock industry

According to MLA's *State of the Industry report 2022–2023*, Australia's red meat and livestock industry value add was $22.5bn in 2021–22, 7% higher year-on-year. This indicates the continued growth of the red meat and livestock industry in absolute terms, despite the relative size of the agricultural industry in the macroeconomy declining.

Income diversity serves as a risk management strategy, with Australian producers choosing to diversify their income from livestock to mixed systems. This creates multiple incomes so as to ensure less variability in total income when compared to specialised operations. Farm-level diversification involves adding income-generating activities at the farm-household level, including livestock, local non-farms, and off-farm pursuits.

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) survey agriculture industries and provide a wide range of information on the current and historical economic performance of farm businesses. The ABARES farm performance survey provides an overview of key financial indicators across key categories from multiple industries (i.e. broadacre, beef, cropping, dairy, mixed, sheep, and sheep-beef businesses).

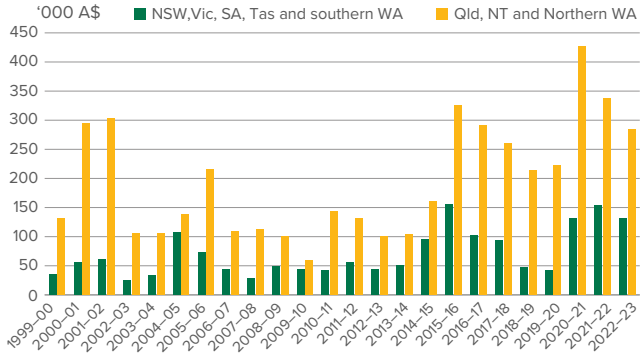
According to the ABARES farm performance survey, beef cattle income **(Figure 8)**, constitutes the largest income in the Australian agricultural sector, floating around 25–30%. Since 2000, beef cattle income has steadily increased and remains the most stable income sector year-on-year.

Earnings reached the highest during 2020–21 due to record livestock prices, while in 2022–23, prices eased by 16% on the previous year. Although profits continue to remain above the long-term average, businesses are still exposed to market fluctuations. Without diversification, businesses are exposed to minor price movements if incomes are solely reliant on selling cattle.

Properties in northern Australia typically have higher business incomes when compared to southern producers, who are potentially constrained by land, labour and capital acquisition. Businesses operating with greater than 1,200 head had the highest income, at $692,800, while even larger farms in the top 25% were earning on average $1,309,200 – evident in the 2022–23 survey results **(Figure 9)**. NT businesses, which are extremely large when compared to the average business size, fetched the highest average income at $1,765,000, 37% above the national average.

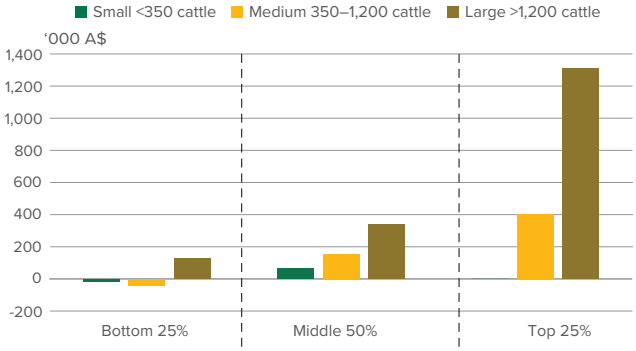
While larger properties are more likely to achieve economies of scale and a higher rate of return on capital when compared to small to medium properties, larger operations are still subject to volatility **(Figure 10)**. This was apparent in 2019–20 where larger properties had greater volatility when compared to small/medium properties, but returned to profitability by the next financial year. Larger businesses are less capable of moving capital once invested, putting greater financial pressure on these operations. Notably, businesses willing to diversify are more likely to reap the rewards of combining operations and allowing for long-term profitability.

Figure 8: Beef cattle farm business income



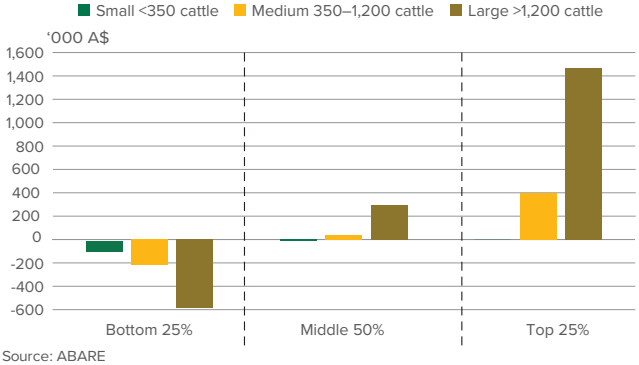
Source: ABARE

Figure 9: Beef farm business income by farm size (2022–23)



Source: ABARE

Figure 10: Beef farm business profit by farm size (2022–23)



Source: ABARE

The rise of feedlots

According to the Australian Lot Feeders' Association's 2024 June quarter survey, Australia has more cattle in feedlots than ever before, with over 1.4 million head on feed. Continued investments in capacity, stable demand from growing international markets, and a general preference to stabilise production, has seen the sector thrive into a new normal.

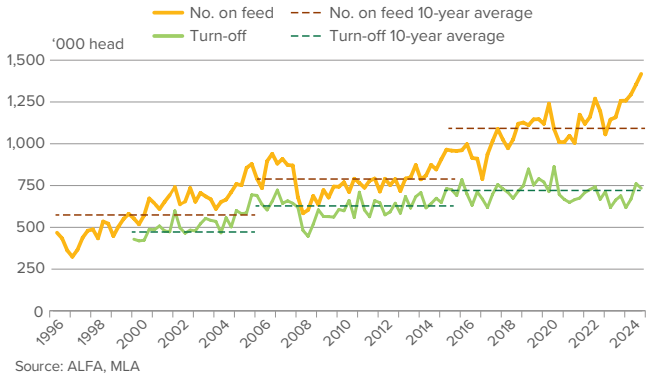
Grainfed turn-off remains elevated against long-term averages. Despite this, export volumes are growing at higher rates than turn-off, indicating a systemic shift towards longer fed programs producing a larger carcase, and their associate breeds.

The foundation of the Australian feedlot sector has changed considerably. For the past decade, the average quarterly number of cattle on feed has been 1,075,689 head – 42% above the previous decade (2004–2014) of 769,273, and close to double that of the nine years before 2004 (563,474). This highlights the scale of change in the sector over the past 30 years. To understand the intensity of our short-term growth, the most recent data is again 32% above the 10-year average, with 1.4 million head of cattle in Australian feedlots.

Cattle supply has been the foundation of short-term growth across the sector. Industry is now faced with a herd size that has grown substantially over a short period of time. Additionally, investments in genetics and production practices have improved our capability to grow cattle out to feeder and finished weights more quickly, lifting the speed of rebound and creating a more stable foundation for the feedlot system.

Feedlots are used to finish high quality and high value beef through long-fed programs, but alternatively, they are utilised in periods of drought and tougher conditions to bring cattle to finished weights. This opportunity in the sector has supported more stable beef production over the past 10 years of production volatility.

Figure 11: Feedlot capacity and turn-off averages

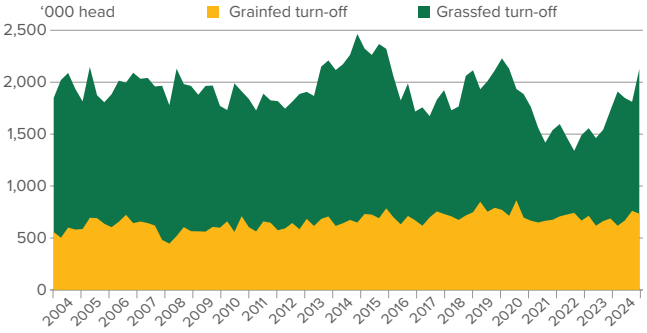


Source: ALFA, MLA

Despite the rise in feedlots, Australia maintains its status as a majority 'grassfed' herd. Now entering a period of high supply, grainfed turn-off will make up a smaller proportion of total turn-off. In the June quarter of 2024, this was 35%, against the 10-year average of 38%. Drought driven destocks were a major influence in the grassfed supply peaks through 2013–15, and 2017–19. Current peaks in grassfed turn-off are somewhat uncharacteristic outside of a drought driven destock, though highlight the levels of supply the Australian herd is currently operating at.

Looking forward, Australian grainfed exports will continue to rise to a growing demand. Japan and Korea have been very important high value markets for Australian grainfed beef, with China an important recent addition. Current supply constraints across the US, which has an established market share in Japan and Korea, have caused a heavy constriction in their grainfed beef exports.

Figure 12: Grainfed and grassfed turn-off



Source: ALFA, MLA

Growth in numbers on feed and current grainfed production has created a strong opportunity to place Australian grainfed beef in not only the gap left by the US in Japan and Korea, but also the opportunity to export high value grainfed beef into the US itself.

Global supply and forecast

The United States of America

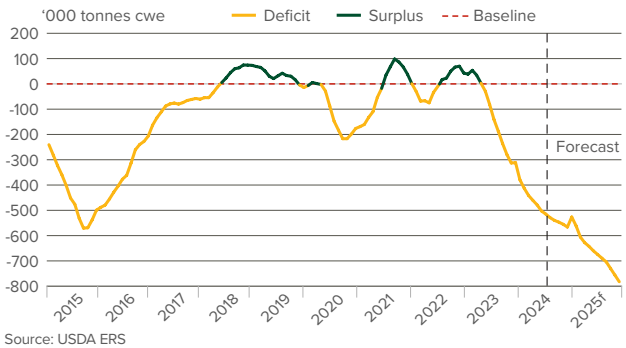
American beef production has been declining since reaching an all-time peak in 2022 and is set to continue declining for the foreseeable future.

According to the United States Department of Agriculture (USDA), the American net beef trade position is expected to be in a deficit of negative 566,195mt carcase weight equivalent (cwe) in 2024, falling to negative 782,447mt cwe in 2025 **(Figure 13)**. This has two effects on the global market.

Firstly, it means that US exports will be lower to key export markets such as Japan and Korea. As Australia is the primary competitor to US beef in both markets, this means that Australian market share is likely to rise as US supply constricts. This has already begun over the first half of 2024; Australian export market share across the two markets has risen from 39% in 2023 to 46% in 2024.

Secondly, it means that more beef will be exported into the US market directly. US beef imports have risen 4% over the first half of 2024 from 2023, after rising 12% in 2023. Exports from Canada (usually the largest exporter) into the US have fallen substantially. This has translated into a large lift in Australian exports to the US, but also unusually large export volumes from South American exporters.

Figure 13: US beef net trade balance (exports–imports) 2015–2025f



Source: USDA ERS

South American beef exports to the US are subject to a 24.9% tariff on exports, aside from a 50,000-tonne quota. As such, South American exports usually peak in the first quarter of each year to take advantage of the quota, and ease substantially after the quota is filled. This has not happened this year; in April–June 2024, beef exports from Mercosur countries (a trade bloc of South American countries) into the US lifted by 193% to 77,923mt cwe when compared to the April–June period in 2023.

The lift in South American exports to the US means that imported beef supply into the US is likely to remain robust.

Brazil

Slaughter numbers in Brazil remain high, with drought impacting nearly all of the country. Provisional numbers suggest that slaughter over the first half of 2024 has been at record highs, and exports have risen to record highs so far in 2024.

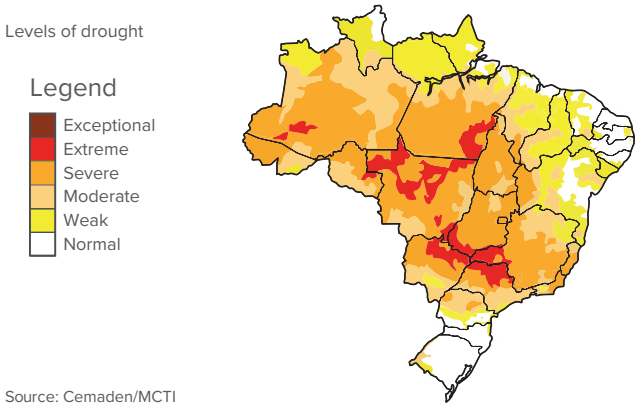
Drought conditions are now widespread, with the exception of some parts of the coast and the Rio Grande de Sul region. In particular, much of the Mato Grosso region is now in severe drought, which has an outsized impact on beef production as it contains the largest number of cattle, as well as a plurality of the country's feedlots.

These drought conditions have led to elevated slaughter. Official statistics from Q1 2024 saw slaughter reach 9.3 million head, 25% higher than last year and a new record. Provisional statistics suggest that slaughter has lifted a further 17% in Q2, which means that Brazilian cattle slaughter for 2024 is on track for a record high.

The increase in production has led to a substantial rise in exports. For the first half of 2024, exports rose 29% from 2023 levels to 1.6mt cwe. Exports to China rose by 10% to 805,577mt cwe, but the percentage of Brazilian exports to China actually fell by 58% in the first half of 2023 to 50% this year.

Instead, the bulk of additional exports went to a wide range of alternate markets, especially in North America and the Middle East and North Africa (MENA) region. Exports to the US lifted 36% from year-ago levels, and exports to the United Arab Emirates lifted 243% from last year to 132,887mt cwe.

Figure 14: Brazil drought monitor – July 2024



Source: Cemaden/MCTI

The increasing diversity of export markets for Brazilian beef have meant that the total globally available supply of beef is higher than expected, with increased competition across MENA and North America.

India

Exports of Indian Buffalo Meat (IBM) rose 2% over the first five months of 2024 to 630,966mt cwe.

Drought conditions are present across much of the south-west coast. As bovine slaughter is restricted or prohibited across much of the centre and north of India, the south is vastly disproportionate in terms of IBM production and export. As such, drought is likely to support The Organisation for Economic Cooperation and Development (OECD) forecast for a 1% increase in production over 2024 to 2.7mt.

The distribution of exports has also shifted, with large volume increases into the MENA region and away from South-East Asian markets. Exports into Saudi Arabia rose 38% from last year and exports to the United Arab Emirates rose 58% to 55,272mt cwe and 51,884mt cwe respectively, while Egypt is now the second largest market for IBM in 2024 so far.

At the same time, exports to South-East Asia as a whole, have eased by 5% from last year due in large part to a 20% decline in exports to Vietnam, which has been India's largest market in the past.

Prices

So far in 2024, the cattle market has been considerably less volatile than 2023, in terms of livestock pricing. After a year of rapid price movements, often driven by future perceptions of weather, cattle prices have been much more stable in 2024, and generally moved to a positive trend.

Gradual increases in slaughter have supported demand for processor-ready cattle, and good conditions on-farm across much of NSW and Queensland have supported a generally positive trend in the restocker end of the market. The prospect of further reductions in US beef supply, and the resultant lift in demand for Australian beef in the global market, have given support to future demand and helped to support a neutral to optimistic tone in the market.

Analyst aggregations

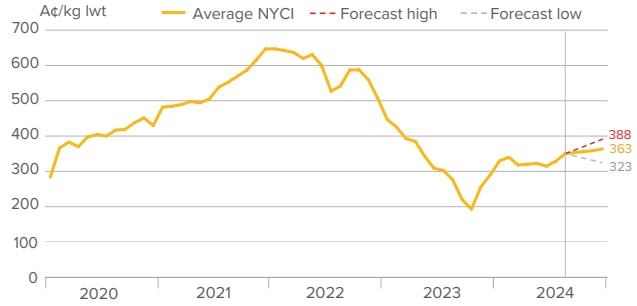
MLA's cattle projections include an aggregate analyst price estimate (exc. MLA) for the National Feeder Steer Indicator (feeder steer) and the National Young Cattle Indicator (NYCI).

The NYCI is a new indicator developed earlier this year reporting young animals sold into the restocker market. The indicator covers national sales from multiple platforms, including both physical saleyards and online transactions, acting as a national coverage indicator. The NYCI, as a restocker market indicator, is a lead indicator for market confidence.

Participating analysts are forecasting the NYCI to remain stable on current rates lifting by less than 4% to reach 363¢/kg/liveweight (lwt) by 31 December 2024, while the upper estimation is expected to reach 388¢/kg lwt, an 11% lift to current prices **(Figure 15)**. If conditions remain stable, producers will support restocker prices.

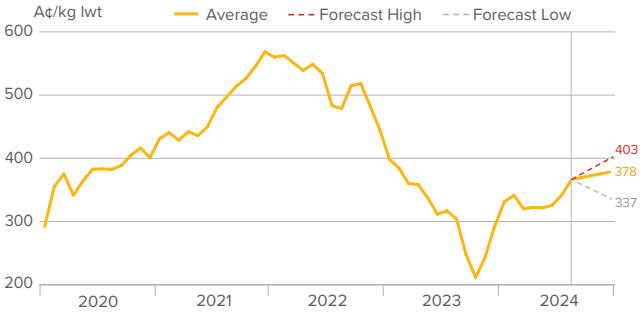
For the feeder steer market, participating analysts estimate a 2% or 7¢ lift to reach 378¢/kg lwt by 31 December 2024 **(Figure 16)**. Investment and growth in the feedlot sector, as well as demand for grainfed beef in high value export markets will support the price in a period of high supply.

Figure 15: Aggregated industry average NYCI price forecast



Source: Rabobank, Episode3.net, Mecardo, Rural Bank, S&P Global

Figure 16: Aggregated industry average feeder steer price forecast



Source: Rabobank, Episode3.net, Mecardo, Rural Bank, S&P Global

Access MLA's Market reports page for all domestic livestock prices and reports: mla.com.au/prices-markets

StoneX feeder price forecast

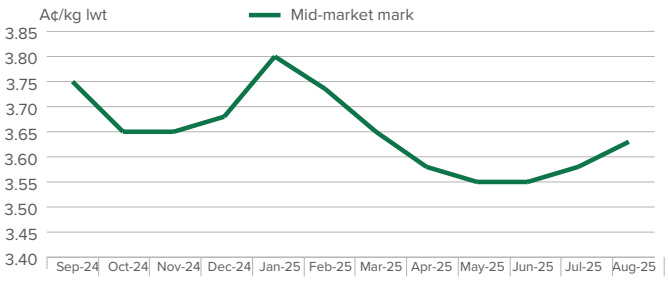
The StoneX Australian Cattle Swap is a financial derivative product which aims to assist cattle market participants by providing the ability to lock in prices on their stock up to 12 months in advance to manage price and market risk. By doing this, users can lock in a margin on the animals they intend to sell, protecting against the market moving unfavourably, be that either up for a buyer of cattle or down for a seller. The StoneX Cattle Swap is cash settled, meaning users will trade the swap against the physical cattle and continue to buy or sell their animals in the physical market as they normally would. No animals are delivered to the buyer or seller and anonymity of the trade is maintained to protect the risk of the trade falling over or not going ahead.

The forward curve represents bids and offers from the market out to July 2025 and is pricing itself in inverse in the front months of the curve (September to December 2024). This means the market is pricing itself lower into the future than the current spot market price of $3.73/kg lwt. Bids and offers in the market for October through to November are sitting between $3.50/kg lwt on the bid side and offers of $3.70/kg lwt on the offer side. Lower prices outside of the curve are a result of the market expecting an increase in feeder steer supply to place downward pressure on price.

In some situations, sellers (cattle producers) are looking to lock in a margin on the money they've generated from the physical cattle they own and want to protect that margin by locking in a price to manage the risk of the market falling between today and when the cattle are sold in the future.

Further out the curve **(Figure 17)** into 2025, the market is expecting a steady rise in cattle prices from February onwards, with the lack of grainfed beef from the US stated as a key reason for expected higher demand of Australian grainfed cattle, lifting livestock prices as the US goes into a rebuild.

Figure 17: StoneX Australian cattle swap forward curve



Source: StoneX

Looking ahead

After three years of considerable growth, the Australian cattle herd will begin to turn-off high numbers, leading to a reduction in the herd size. Stock retention and herd investments over the rebuild have resulted in a herd capable of record production from a lower turn-off base.

Most of the northern system has had a very positive start to the year, with no expectation of an unusually wet season over summer. Cow turn-off has lifted across the country, as older retained stock are exited through the system post rebuild. With northern operations operating as usual, calf marking rates will remain solid, supporting a maintenance of the herd.

Moving forward, southern systems are likely to adjust. Coming off a more difficult start to the year across southern states and WA, destocking will continue into 2025. Inflated female slaughter from cow turn-off will be lifted with younger heifers entering the system as producers reassess their stocking capabilities.

The key driver of Australia's cattle market is the weather. Without predicting the climate over the next four months, analysts have forecast a steady market, driven by supply. Though when compared to the volatility of the previous 12 months, a stable end to the year will be positive for many producers across the country.