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# Livestock Report

**Monday, December 06, 2010**

## Shorts

The Australian dollar rose to a two-week high against a broadly weaker U.S. currency as far weaker than expected American jobs data hurt the greenback. Sentiment toward the Aussie dollar was also bolstered by strong commodity prices which generally rose in tandem with soaring oil prices above $89 a barrel, their highest in 25 months. (mytravelexnews.com)

Meat industry groups praised a weekend agreement on changes to the free trade agreement (FTA) between the United States and South Korea that did not widen access to U.S. beef, but will phase out tariffs for poultry and meat and is expected to boost trade significantly over time. (meatingplace.com)

## From the editor...

The EYCI is flirting with a 6 year high, but couldn't quite get there last week, or today, as it has dropped a quarter of a cent.

Despite the floods Wagga still had its sale, with an increased yarding to boot with the most interesting thing about price being that it is an even $1 dwt higher than the same time last year

Wool showed some strength which is pretty positive given the high supply of the last couple of weeks, and could point towards the traditional January rally appearing again.

- Angus Brown

## Inside this issue:



## Price Trends

| | Indicator | This Week | |
|---|---|---|---|
| ↑ | Eastern Young Cattle | 381 | ¢/kg dwt |
| ↑ | National Cow | 288 | ¢/kg dwt |
| ↑ | Eastern States Lamb | 503 | ¢/kg dwt |
| ↑ | National Mutton | 416 | ¢/kg lwt |
| ↓ | 19 MPG (South) | 1243 | ¢/kg clean |
| ↑ | 21 MPG (South) | 981 | ¢/kg clean |
| ↓ | Feed Barley | 198 | $/t |
| ↓ | Feed Wheat | 255 | $/t |

## This Week's Tip

All is looking very positive for the annual Victorian weaner sales as grass everywhere and damaged crops increase the available feed supply for the summer to the best in a very long time. It's a good time to be selling but what will eat your grass then?

## ACU Lamb Marketing

ACU is branching out into lamb marketing, assisting with pricing and timing of sales based on our in depth market information and industry networks. For more information call the office to see what we can do for you.

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# Week in Livestock

**Monday, December 06, 2010**

*Analyst: Alex Capurro*

## Cattle

**Last week saw the EYCI close at 381¢/kg dwt, up 5.25¢ week on week. This was, however, due to a 20% reduction in young cattle yardings.**

Strong rain was back in NSW and continued in Qld, disrupting livestock transport yet again. The outcome was a new yearly high for the young cattle indicator, as supply from Qld and Northern NSW was down by 26%, with the Roma prime sale even cancelled last week.

Processors curbed their purchasing, buying 22% fewer cattle, as prices inched up on the back of tight supply (chart). Lotfeeder purchasing also pulled back 26% as feeder prices were up due to lower yardings.

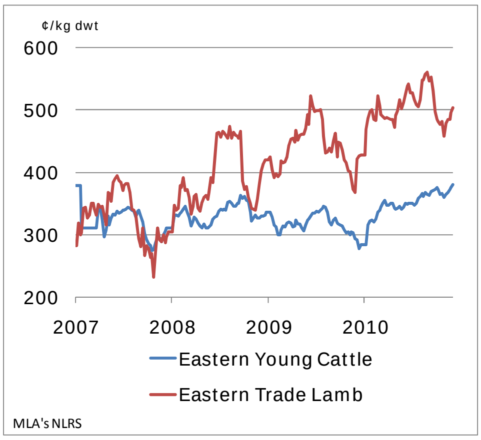
Still, as the EYCI increased strongly, feeder basis was down to –11¢/kg dwt. Processor basis to the EYCI improved only marginally to –4.25¢, remaining very strong. Restocker basis dropped slightly but is still quite strong at 22¢.

Korea was once again the talking point for the beef exporting sector, as exports to that market totalled 12,080 tonnes swt (one third of that chilled), after the two previous months had been below the 10,000 tonne mark. A foot and mouth outbreak earlier last week in Korea has resulted in a heavy drop in domestic slaughter numbers, which should see some support for export volumes and prices to Korea.

## Lamb

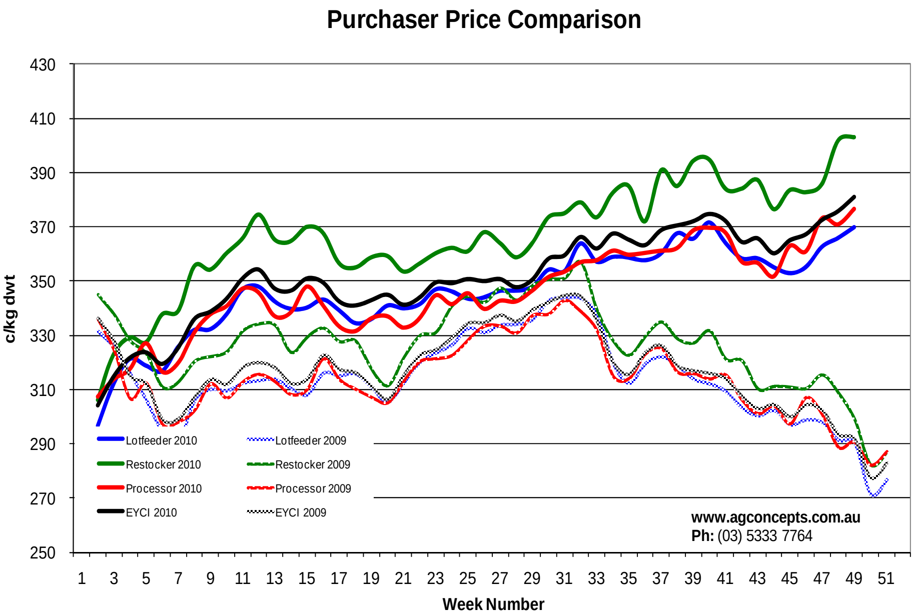
**The ESTLI was up 8¢, closing the week at 503¢/kg dwt. Strong yardings were unable to dampen prices, as demand remains strong.**

Lamb yardings were generally steady on last week's figures across all categories, as stronger supply in Vic made up for lower numbers in NSW saleyards. Nevertheless, strong processor competition meant sustained price improvement.




Restocker prices were steady on last week, despite increased supply, which came mostly from Vic. Trade and Heavy Lamb prices also continued to rise, as processors tried to maintain a 10-12¢/kg dwt price premium for Trade in order to secure supply of lighter lambs.

Sheep numbers were down by half at NSW saleyards as a result of the rains, and strong Victorian yardings were unable to make up the numbers. Lower supply didn't affect Mutton prices however.




## The Week Ahead

With the rains showing no sign of letting up across the Eastern states for the next week at least, it would be logical to expect cattle prices to continue strengthening as a direct result of hampered supply. Processors should be the main driving force behind cattle purchases, due to the need to fulfill prior commitments, while lotfeeders and restockers may be able to sit back and wait.

Victorian sales should continue to drive the lamb and mutton markets, as that state has been largely unaffected by excess rains which have caused so much strife in NSW. Prices should keep on their upward trend if supply continues to track below 2009 levels.

# Wool Weekly

**Monday, December 06, 2010**

| Micron Price Guide (A¢/kg clean) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Micron (µ) | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 25 | 28 | 30 | MC |
| Northern | NQ | 1621 (1) | 1290 (15) | 1017 (20) | 1002 (26) | 944 (13) | 902 (nq) | NQ | 487 (-1) | 444 (0) | 650 (1) |
| Southern | 1717 (-6) | 1567 (9) | 1243 (-9) | 1013 (15) | 981 (6) | 937 (12) | 901 (5) | NQ | 485 (-4) | 443 (2) | 650 (-2) |
| Western | | | 1268 (22) | 1021 (24) | 993 (31) | 926 (29) | NQ | | | | 626 (0) |

Source: AWEX

| National Wool Offerings & Clearance | | | |
|---|---|---|---|
| | TW | LW | Season |
| Wool Offered (bales) | 57,625 | 53,935 | 863,258 |
| Wool Sold (bales) | 50,516 | 46,028 | 781,588 |
| Passed In (%) | 12% | 15% | 9% |
| Re-Offered (%) | 8% | 4% | 9% |

Source: AWEX

| Southern MPG Percentiles (2003 - Current) | | | | | | |
|---|---|---|---|---|---|---|
| | 18u | 19u | 20u | 21u | 30u | MC |
| Min | 859 | 773 | 681 | 659 | 323 | 390 |
| 10% | 961 | 893 | 772 | 733 | 370 | 413 |
| 20% | 1005 | 919 | 808 | 754 | 387 | 432 |
| 30% | 1038 | 940 | 832 | 773 | 399 | 443 |
| 40% | 1082 | 968 | 863 | 818 | 411 | 452 |
| 50% | 1120 | 1005 | 896 | 857 | 422 | 481 |
| 60% | 1156 | 1036 | 924 | 890 | 429 | 503 |
| 70% | 1198 | 1068 | 965 | 936 | 437 | 543 |
| 80% | 1279 | 1115 | 1014 | 980 | 458 | 582 |
| 90% | 1383 | 1211 | 1067 | 1026 | 488 | 624 |
| Max | 1621 | 1355 | 1297 | 1284 | 641 | 682 |

| Current | | | | | | |
|---|---|---|---|---|---|---|
| Price | 1567 | 1243 | 1013 | 981 | 443 | 650 |
| Percentile | 99% | 95% | 80% | 80% | 76% | 95% |

- Percentiles give us an indication of whether a price is high or low relative to historical prices. If an indicator is at the 40% level, it has historically been higher than that level for 60% of the time and lower than that level for 40% of the time.

| SFE Wool Futures | | | | |
|---|---|---|---|---|
| | Fine Wool (19µ) | | Greasy Wool (21µ) | |
| Month | Price | Change | Price | Change |
| Oct-10 | 1288 | 0 | 983 | 0 |
| Dec-10 | 1288 | 0 | 986 | 0 |
| Feb-11 | 1288 | 0 | 986 | 0 |
| Apr-11 | 1237 | 0 | 986 | 0 |
| Jun-11 | 1197 | 0 | 986 | 0 |
| Aug-11 | 1177 | 0 | 985 | 0 |

Source: Australian Securities Exchange

- The EMI stabilised, and closed the week at 1014¢/kg clean, up marginally, by only 3¢.
- The Eastern market recovery was on the back of improved medium MPGs, with the 21MPG increasing 2.6% in Sydney.
- Better prices did nothing to lower pass-in rates, which this week averaged 13% in Melbourne.

## Market Comment:

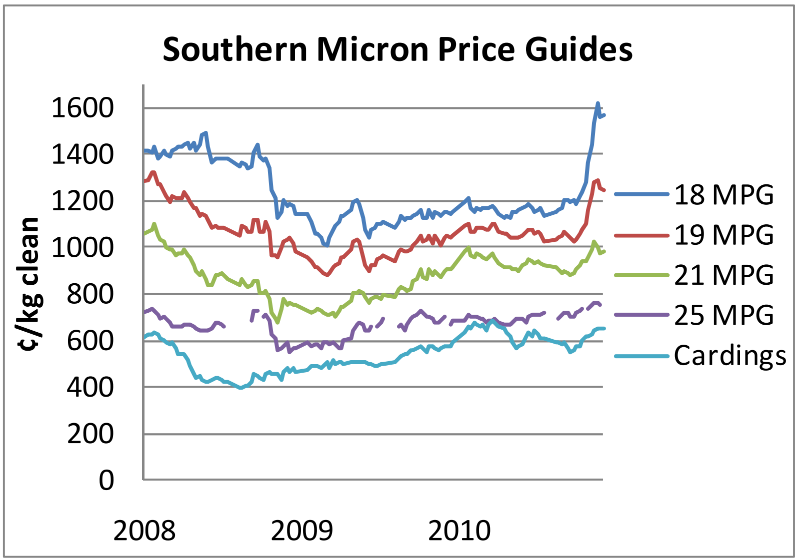
There was a general recovery in the Eastern wool market, although the finer MPGs still struggled to find their footing, as 17 and 19MPGs recording losses in the Southern market.

The 21MPG seems to be finding support at current levels. If the market for this MPG rallies again in the short term, much will depend on the availability and volume of newly-shorn wool.

The 23MPG found resistance around the 920¢ mark, as it appears likely that broad merino wool supply will show further year on year increases.

Merino Carding prices are still going strong, as cold weather in North America and Europe strengthens demand for knitwear.

Forward markets rallied strongly, reflecting a positive medium term outlook for wool prices, with 19 micron setting new highs for the first half of 2011.



# Livestock Market Brief — Monday, December 06, 2010

## Mutton Pricing

*Analysts: Alex Capurro*

**It's a common consensus at the moment that that sheepmeat prices are going through a very good period. This week we focus on mutton prices, and their future prospects.**

**Fig 1: ESTLI and NSW Mutton prices (NLRS)**

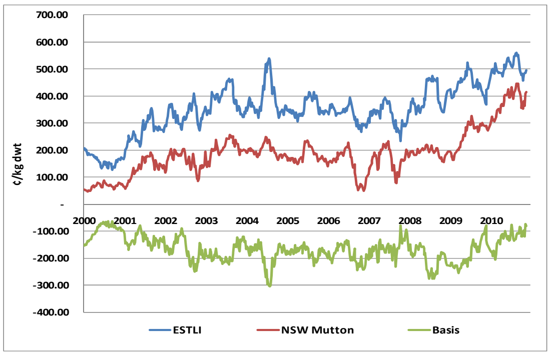



**Fig 2: NSW Mutton Basis to ESTLI (NLRS)**

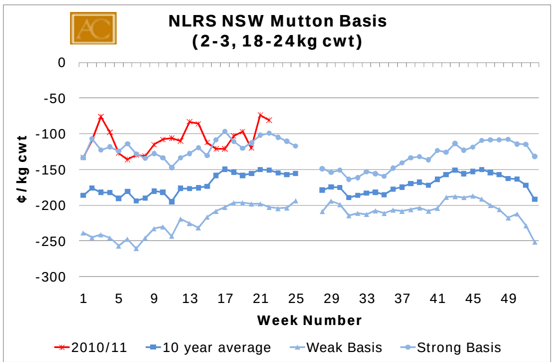



**Fig 3: Australian sheep numbers (ABARE-BRS)**

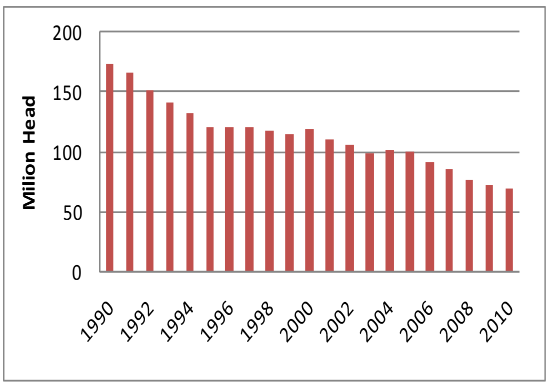



Figure 1 shows how NSW mutton prices have tracked over the past decade relative to the ESTLI. When we look at the long term basis, we can see that mutton has been at a smaller discount to trade lamb this year, than during most of the past decade. The only other exception was during 1999/2000 in which the price of lamb fell heavily as a result of trade disputes with the US, recovering rapidly the following season. This time it is more a case of mutton having caught up to trade lamb prices, as both have improved markedly relative to last year.

The relative improvement of mutton prices is evident when taking a look at Figure 2, which shows basis this year tracking well above the 10-year average. With prices seeming to have already bottomed out for the year, we can expect prices to continue to track well above the average basis.

Prices over the last few seasons have improved for all sheepmeat categories, and much of it has been down to the strong reduction in sheep numbers over the past 20 years. By the end of 2009/10 the Australian flock size was down to just 70 million head, barely 40% of what it was in 1989/90 (Figure 3). The 2010/11 forecast is for 69 million head.

Evidently, declining flock numbers from the world's largest sheepmeat exporter, along with strong global demand for lamb and mutton, have contributed strongly to the rise in prices.

### Key points

- **Sheepmeat prices have increased strongly this year, and mutton has not been the exception, as basis has been strong all season.**
- **Falling flock numbers and sustained demand are the main culprits.**
- **The good season in the Eastern states has also contributed by helping avoid drought-induced selling.**

The good season in the Eastern part of the country is also playing an important role this year. High rainfall has produced an abundance of feed, which means that have so far avoided having to sell off parts of their flocks in anticipation of the summer feed deficit. Sustained good prices also mean that there is renewed interest in sheepmeat production. The exceptional season is thus aiding producers in flock-rebuilding, as they are able to hold onto higher numbers of breeding ewes.

### What does this mean?

The evidence on hand suggests prices are being determined by the supply side. Despite the decrease in sheep numbers apparently slowing, and flock-rebuilding seemingly gathering momentum, it could be some time before sheepmeat output increases in a way to significantly affect prices. Mutton buyers may not be happy about prices, but they currently have little choice in what they pay.

# Cattle Indicators

**Monday, December 06, 2010**

| **Feeder Steer** (¢/kg lwt) | This Week | Last Week | Last Year |
|---|---|---|---|
| Victoria | 197.3 | 180.8 | 148.9 |
| New South Wales | 204.3 | 200.7 | 156.6 |
| Queensland | 192.3 | 190.6 | 166.7 |
| South Australia | 196 | 195.7 | 145.7 |
| Western Australia | 164.6 | 152.3 | 148 |
| Tasmania | | | |
| National | 198.2 | 197.6 | 158 |

***Specification: 330-400 kg lwt, C2***

Feeder Steer supply was down by 35% in NSW as high rainfall disrupted yardings once again in that state. Prices there did not move all that much, suggesting that they may have reached a ceiling. Vic and SA had increased yardings, but were not able to prevent a 22% fall in National supply.

| **Trade Steer** (¢/kg dwt) | This Week | Last Week | Last Year |
|---|---|---|---|
| Victoria | 358 | 359 | 309 |
| New South Wales | 378 | 372 | 295 |
| Queensland | 395 | 381 | 314 |
| South Australia | 331 | 339 | 274 |
| Western Australia | | | |
| Tasmania | 346 | 352 | |
| National | 382 | 365 | 294 |

***Specification: 330-400 kg lwt, C3***

Very strong demand from Qld drove the Trade Steer market this week, as prices there increased 3.7% despite a 271% increase in yardings. A 9% fall in NSW yardings had a marginally positive effect on prices. Overall, supply was up 27%, with prices increasing 4.7%.

| **Medium Steer** (¢/kg dwt) | This Week | Last Week | Last Year |
|---|---|---|---|
| Victoria | 330 | 329 | 273 |
| New South Wales | 343 | 332 | 281 |
| Queensland | 334 | 342 | 305 |
| South Australia | 317 | 332 | 272 |
| Western Australia | 262 | 248 | 229 |
| Tasmania | 341 | | |
| National | 336 | 338 | 285 |

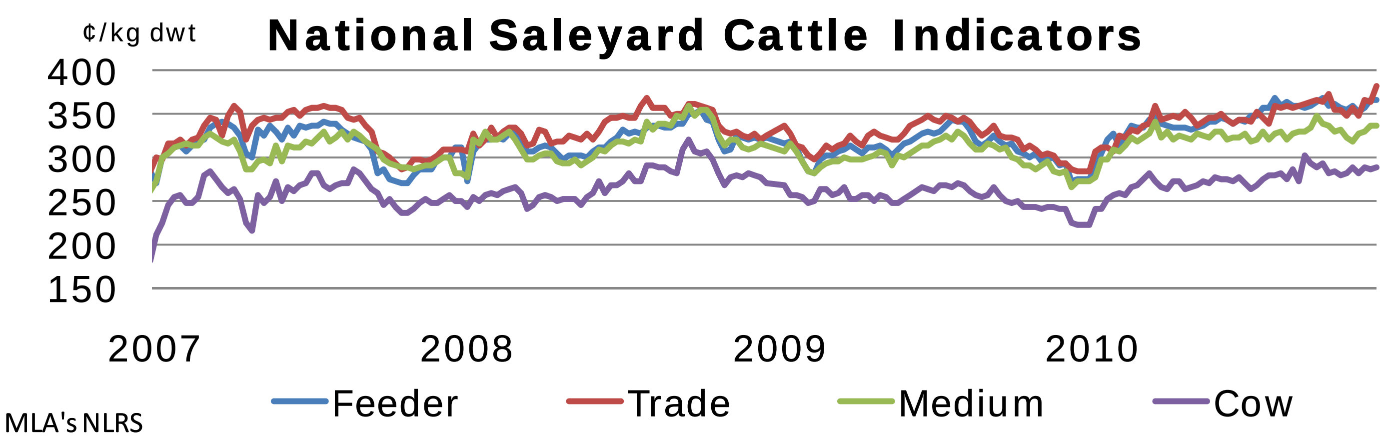
***Specification: 400-500 kg lwt, C3***

Rains were once again behind lower Medium Steer yardings in Qld and NSW, down 61% and 16%, respectively. However, the strong fall in Qld yardings did nothing to prevent a slight easing in prices. The trend was more along expected lines in NSW, as lower yardings meant a 3% increase in prices.

| **Cow** (¢/kg dwt) | This Week | Last Week | Last Year |
|---|---|---|---|
| Victoria | 305 | 303 | 248 |
| New South Wales | 299 | 294 | 238 |
| Queensland | 284 | 280 | 244 |
| South Australia | 296 | 298 | 247 |
| Western Australia | 195 | 193 | 169 |
| Tasmania | | 260 | |
| National | 288 | 287 | 240 |

***Specification: 400-520 kg lwt, D3***

General cow prices levelled out this week as yardings were steady on a national level. In keeping with this week's theme, yardings were down 20% and 5% in Qld and NSW on the back of rain-disrupted supply. Vic and SA picked up the slack, with small price movements as a result.



# Lamb Indicators

**Monday, December 06, 2010**

| Restocker Lamb (¢/kg cwt) | This Week | Last Week | Last Year |
|---|---|---|---|
| Victoria | 546 | 537 | 400 |
| New South Wales | 587 | 563 | 426 |
| South Australia | 562 | 606 | 473 |
| Western Australia | 466 | 358 | 391 |
| Tasmania | 601 | 515 | 557 |
| National | 547 | 547 | 418 |

*Specification: 0-18kg cwt, 1-2*

Restocker lamb prices remained steady last week, despite a 13% increase in supply. Vic was behind a 51% of all yardings, with prices there up marginally on last week. All this continues to highlight the strength of demand for this category of lamb.

| Trade Lamb (¢/kg cwt) | This Week | Last Week | Last Year |
|---|---|---|---|
| Victoria | 492 | 492 | 406 |
| New South Wales | 529 | 508 | 442 |
| South Australia | 496 | 477 | 431 |
| Western Australia | 450 | 440 | 435 |
| Tasmania | 488 | 486 | 433 |
| National | 501 | 494 | 422 |

*Specification: 18-22kg cwt, 2-4*

Average National Trade Lamb prices broke through the $5 mark last week on marginally lower supply numbers. NSW yards drove overall prices, as a 24% fall in yardings due to heavy rainfall in that state pushed prices up a further 4% on last week.

| Heavy Lamb (¢/kg cwt) | This Week | Last Week | Last Year |
|---|---|---|---|
| Victoria | 479 | 468 | 400 |
| New South Wales | 517 | 498 | 440 |
| South Australia | 492 | 469 | 433 |
| Western Australia | 449 | 455 | 416 |
| Tasmania | 450 | 437 | 423 |
| National | 491 | 477 | 413 |

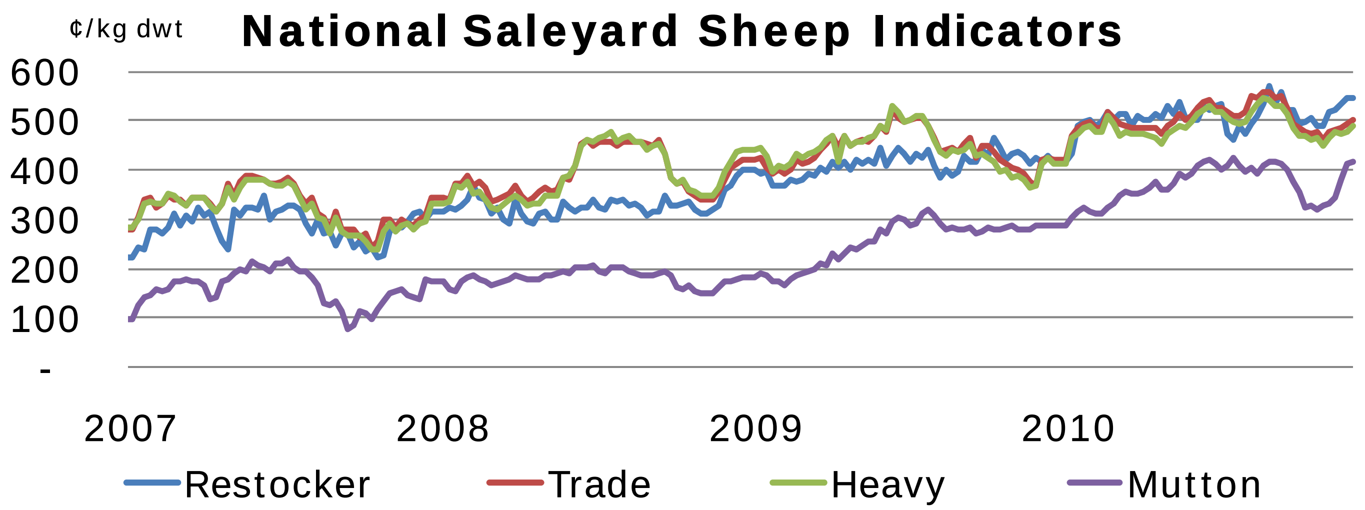
*Specification: 22+kg cwt, 2-4*

Vic yarded 55% of all Heavy Lambs, increasing 30% week on week. Despite this, prices were up there by 2.4%. NSW had steady yardings on the previous week, and experienced a 3.8% price rise. National supply increased 11%, while prices were up 3%

| Mutton (¢/kg cwt) | This Week | Last Week | Last Year |
|---|---|---|---|
| Victoria | 452 | 456 | 320 |
| New South Wales | 414 | 414 | 290 |
| South Australia | 400 | 379 | 283 |
| Western Australia | 341 | 317 | 232 |
| Tasmania | | 322 | 284 |
| National | 416 | 412 | 289 |

*Specification: 18-24kg cwt, 2-3*

Mutton prices strengthened slightly last week on the back of a 14% decrease in supply, mainly due to a 43% fall in NSW yardings. A 10% increased yard in Vic, had a marginal effect on prices, indicating that mutton prices still have good support.

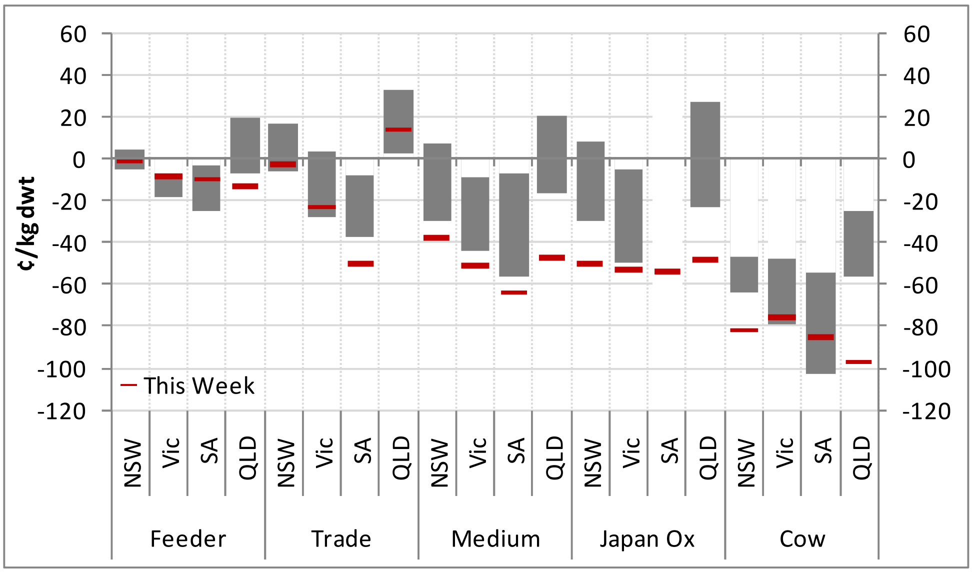



MLA's NLRS

# Livestock Basis

**Monday, December 06, 2010**

## MLA's NLRS Saleyard Cattle Indicators



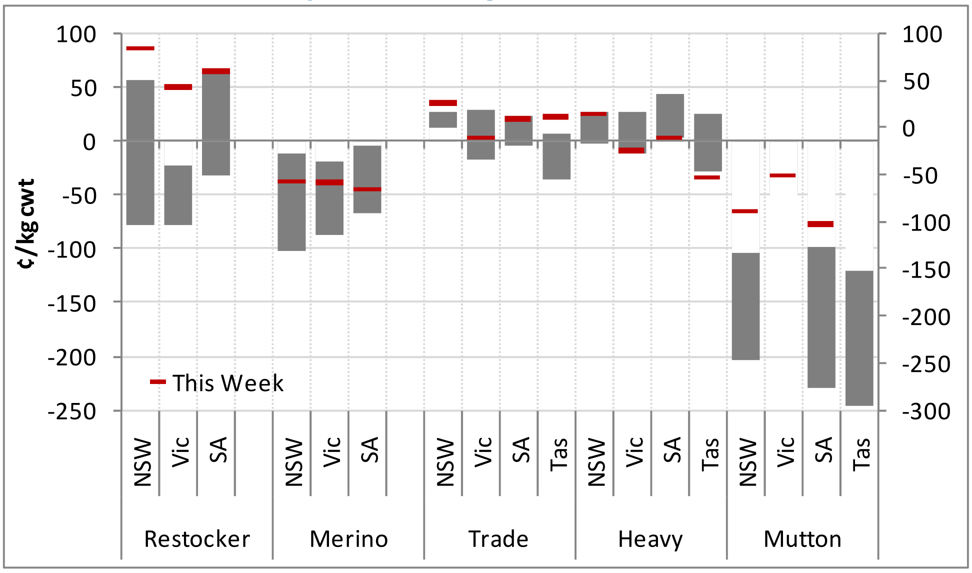

These charts show the relative value of the various state saleyard indicators, by subtracting the Eastern Young Cattle Indicator (EYCI) for cattle, or the Eastern States Trade Lamb Indicator (ESTLI) for lamb, to give the basis.

The position of the red bar relative to the grey shaded box shows the current strength of this market.

For example; if the red bar is above the grey shaded box, that category is over valued.

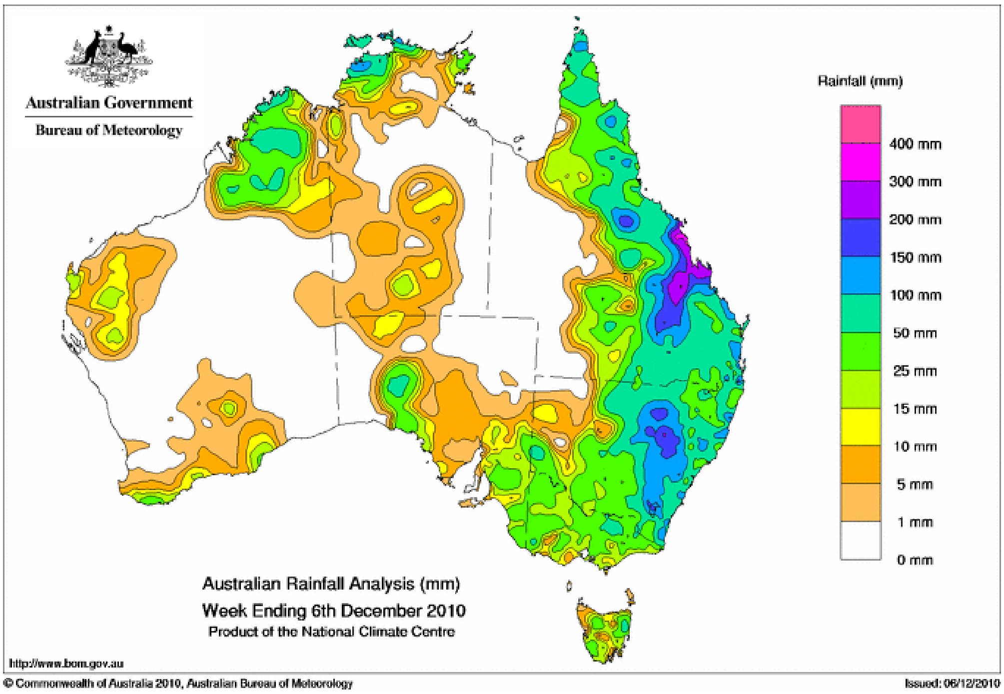
The size of the grey box demonstrates the volatility of the basis.

## MLA's NLRS Saleyard Sheep & Lamb Indicators

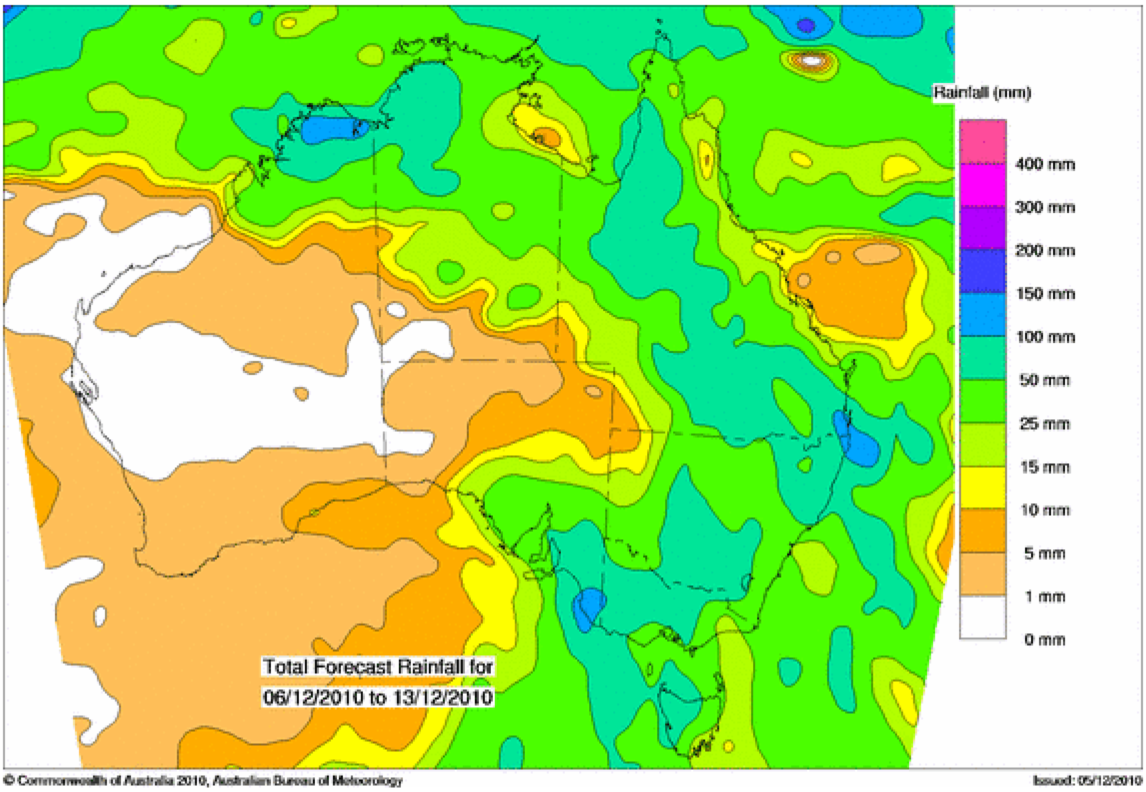


# Rainfall

**Monday, December 06, 2010**




http://www.bom.gov.au




http://wxmaps.org/pix/prec7.html

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