



## July beef exports break May record

Australian beef exports during July reached 106,184 tonnes swt, breaking the previous monthly record, set in May this year, by almost 3,000 tonnes swt, and taking the total yearly export volume to 605,935 tonnes swt, up 14% year-on-year. Encouragingly, and what has regularly been the case in 2013, monthly volumes to a number of markets were the highest for the year, and in some cases, the highest on record.

The recent easing of the A\$ assisted exports during July, and the welcome news of further declines overnight, to 89.7US¢, continues to enhance the competitive position of Australian red meat.

Exports to Japan during July improved, after what has been a sluggish past couple of years, with shipments totalling 31,703 tonnes swt, up 2% year-on-year - the highest monthly volume since November 2011.

While anecdotal reports suggest market sentiment in Korea is subdued, shipments during July reached 12,756 tonnes swt, up 34% year-on-year, and taking the total for the first seven months 25% higher than for the same period in 2012. The increased Australian shipments so far in 2013 are despite the lower tariff enjoyed by US beef.

Volumes to China broke new ground, again, with the July volume at 15,065 tonnes swt, surpassing the previous high by 22%, or 2,745 tonnes swt. Similarly, shipments to Middle East were the highest monthly volume on record, at 6,915 tonnes swt, breaking the previous record by 11%.

Australian lamb exports for the month increased 17% year-on-year, to 18,744 tonnes swt, taking exports for the first seven months of the year to 119,493 tonnes swt - 14% above the corresponding period last year.

### Key developments:

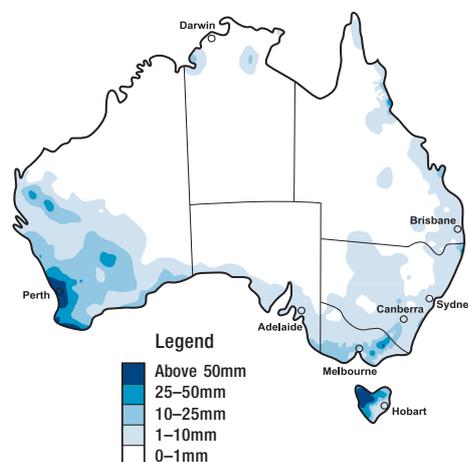
Average July rain - page 4

US cattle outlook still hinges on drought breaking - page 6

Drought conditions underpin mid-year beef update - page 8

## Weather watch...

### Rainfall analysis - week ending 1 August 2013



Source: Bureau of Meteorology

### Wet in the west

While southern WA received rain this week, with falls up to 100mm recorded along the coast, the eastern and north eastern regions of the state remain dry. NSW and Victoria also received fairly extensive rainfall, however, totals were low compared to last week, with only southern pockets recording more than 10mm. Some isolated light showers were recorded in Northern Australia, though drought affected areas registered no rain.

### National saleyard indicators

MLA's NLRS

Cattle	Weight	Muscle/Fat		TW	LW	LY
Trade steer	330-400kg	C3	(¢/kg lwt)	191	195	211
			(¢/kg cwt)	348	359	391
Medium steer	400-500kg	C3	(¢/kg lwt)	174	171	177
			(¢/kg cwt)	323	314	329
Heavy steer	500-600kg	C4	(¢/kg lwt)	183	182	190
			(¢/kg cwt)	328	329	344
Medium cow	400-520kg	D3	(¢/kg lwt)	125	128	135
			(¢/kg cwt)	259	265	278
Feeder steer	330-400kg	C2	(¢/kg lwt)	187	187	208

### Sheep and lambs

Restocker/feeder lamb	0-18kg	1-2	(\$/head)	50	51	56
Merino lamb	16-22kg	2-3	(¢/kg cwt)	384	419	358
Light lamb*	12-18kg	2-3	(¢/kg cwt)	392	409	381
Trade lamb#	18-22kg	2-4	(¢/kg cwt)	484	508	423
Heavy lamb#	22kg +	2-4	(¢/kg cwt)	507	530	405
Mutton	18-24kg	2-3	(¢/kg cwt)	279	291	298

\*1<sup>st</sup> & 2<sup>nd</sup> cross & Merino, #1<sup>st</sup> & 2<sup>nd</sup> cross

### National over the hooks indicators

MLA's NLRS

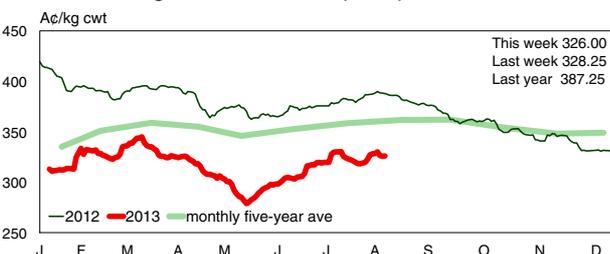
Cattle (¢/kg cwt)	Weight	Muscle	Fat	TW	LW	LY
Trade steer	220-260kg	A-C	3-12	320	320	329
Medium steer	260-300kg	A-C	7-22	316	313	327
Heavy steer	300-420kg	A-C	7-22	321	318	331
Medium cow	240-280kg	A-E	3-22	255	252	276
Sheep and lambs (¢/kg cwt)						
Medium trade lamb	18-20kg		2-4	491	491	459
Heavy trade lamb	20-22kg		2-4	491	490	454
Heavy lamb	22kg +		2-4	490	488	441
Mutton	18-24kg		2-4	250	248	273

TW = This week, LW = Last week, LY = Last year

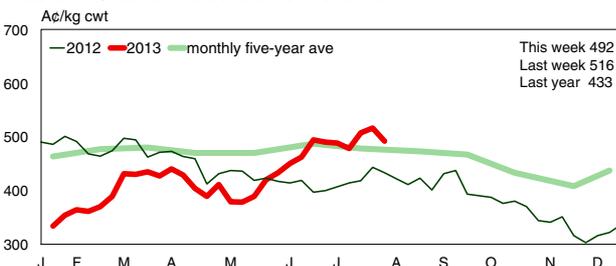
### Livestock prices

MLA's NLRS

#### Eastern Young Cattle Indicator (EYCI)



#### Eastern States Trade Lamb Indicator



## National cattle throughput jumps in July

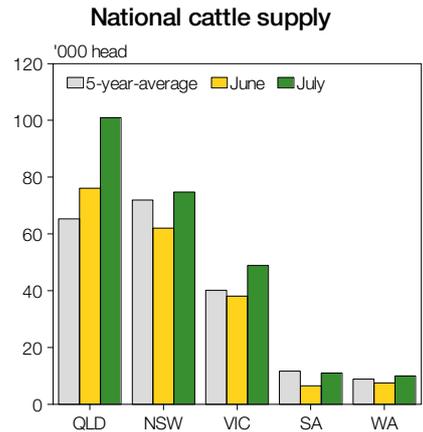
Total national cattle throughput in July lifted 29% compared to June and 12% year-on-year, as cattle turnoff continued to increase across the majority of states reported by MLA's National Livestock Reporting Service.

Numbers continue to flow from key regions in Queensland, with over 100,000 head yarded in July, up 33% on June and 28% year-on-year. The dry weather has pressured producers to offload stock, as feed levels remain an issue, at a time when most would prefer to hold stock in anticipation of price improvements in the lead up to spring.

Consignments in NSW lifted 20% on June, with close to 75,000 head yarded in July, although compared to last year, throughput slipped 3%. The larger selling centres, Dubbo and Wagga, yarded fewer cattle, while numbers at Forbes and CLTX increased. Supplementary fed cattle were in short supply at saleyards, while secondary lines of young cattle dominated most yardings, reflecting seasonal conditions.

Throughput in Victoria followed a similar trend, up 28% for the month and 21% year-on-year. Plain conditioned cattle were also the prominent feature across most saleyards, with the majority of cattle showing the effects of winter. The recent improvement in cow prices in the south, due to processors reportedly demanding manufacturing beef, has prompted some producers to turnoff secondary lines, instead of retaining them through winter.

Numbers in SA nearly doubled on June and lifted 6% compared to July last year, boosted by plain store conditioned lines. WA's throughput was up 32% on June, but back 17% on last year, while consignments in Tasmania were back 36% year-on-year.



Source: MLA's NLRS

MLA's NLRS

## Cattle prices fluctuate as quality fades

Eastern states cattle prices fluctuated across most categories this week, with the price fluxes due to the inconsistent quality offered through most saleyards. The benchmark Eastern Young Cattle Indicator (EYCI) finished Thursday on 326¢/kg cwt, up 0.5¢/kg on Wednesday, with plain quality cattle and the lack of demand the instigators behind low gains for young trade cattle this week. This time last year the EYCI was tracking at 381¢/kg cwt.

The trade steer indicator lost 11¢/kg week-on-week, averaging 348¢/kg cwt, while the medium steer indicator remains volatile, with prices lifting 29¢/kg this week, to close Thursday on 332¢/kg cwt. Heavy steers remained firm with last week, averaging 329¢/kg, while medium cows lost some of the ground gained in recent weeks, back 8¢/kg, to 260¢/kg cwt. The feeder steer indicator was unchanged week-on-week, settling on 186¢/kg lwt.

MLA's NLRS

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### Cattle movements

Slaughter statistics - for week ending 26/07/13				
		TW	LW	LY
Qld	Cattle	82,023	80,820	69,854
	Calves	327	460	1,617
NSW	Cattle	37,064	37,069	26,913
	Calves	4,205	4,224	3,423
Vic	Cattle	23,162	23,805	17,592
	Calves	5,376	5,235	5,108
SA	Cattle	3,735	3,611	7,298
	Calves	37	45	21
Tas	Cattle	4,029	4,267	3,195
	Calves	809	187	947

Saleyard throughput - for week ending 01/08/13 At NLRS reported centres				
		TW	LW	LY
Qld		19,671	12,312	20,949
NSW		16,464	12,699	15,563
Vic		9,323	10,508	8,027
SA		2,605	2,135	2,605
WA		1,388	1,746	2,724
Tas		115	82	110

Cattle price data is contained on page 9 market statistics.

### National indicators

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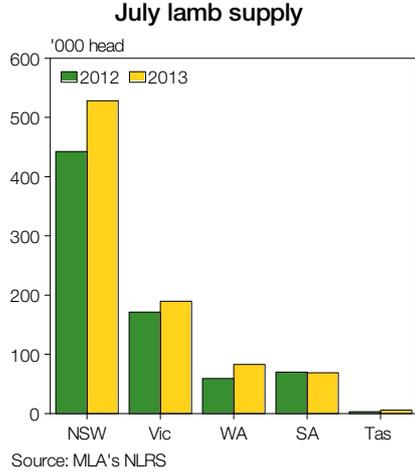
# Lamb supply continues to flow throughout July

National lamb supply, as reported by MLA's National Livestock Reporting Service, during July increased 17% year-on-year, to 875,454 head. Historically, winter months generally see a slowing of supply, although this was not the case this year, with supply remaining solid deep into winter. This can be linked to prices gaining momentum during July, particularly for trade and heavy weight classes, hitting levels unseen since 2011.

Victorian lamb supply lifted 10% year-on-year, while in SA supply eased 2%, as rainfall across both regions remained average to above average. While temperatures remained mild for most of the eastern states, some parts of coastal and northern NSW recorded average to below average rainfall for July. NSW lamb throughput was 19% higher year-on-year, due to higher than normal turnoff at markets such as Forbes, Dubbo and Wagga. WA turnoff was 40% higher year-on-year, with record yardings recorded at Muchea, on the back of a very dry July.

Typically, July yardings are made up of older trade and heavy weight lambs, ahead of the young lamb flush in spring. It is reported that new season lamb turnoff could be slightly later this year as feed levels remain tight, following tough seasonal conditions earlier in the year.

Sheep turnoff during July was 75% higher year-on-year, at 337,807 head, as consistently larger offerings were recorded around most centres. Prices during July also remained favourable, spurring producers to offload. Victorian mutton throughput doubled year-on-year, while supply in NSW was 79% higher. Yardings in SA lifted 15% year-on-year, while in WA throughput increased 62%.



# Eastern states lamb prices ease

Eastern states lamb supply, as reported by MLA's National Livestock Reporting Service, lifted 12% week-on-week, with throughput in all states increasing. Yardings in NSW lifted 3% week-on-week, while in Victoria and SA throughput was 29% and 43% higher, respectively.

Under the increased supply this week and slightly lower demand, eastern states lamb prices eased. At the conclusion of Thursday's markets the Eastern States Restocker Lamb Indicator was 6¢ lower, on 357¢/kg cwt and merino lambs lost 39¢, to close Thursday on 386¢/kg cwt, while light lambs decreased 17¢, to 394¢/kg cwt. The Eastern States Trade Lamb Indicator was 24¢ lower, on 492¢/kg cwt, while heavy lambs were down 21¢ to 510¢/kg cwt.

The eastern states mutton indicator eased slightly this week, to finish Thursday 5¢ lower, on 292¢/kg cwt.

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### Sheep and lamb movements

MLA's NLRS

Slaughter statistics - for week ending 26/07/13				
		TW	LW	LY
Vic	Lambs	168,495	172,230	170,377
	Sheep	43,166	50,615	26,084
NSW	Lambs	91,272	96,443	97,890
	Sheep	44,756	43,284	14,616
SA	Lambs	46,675	33,207	67,471
	Sheep	20,860	12,082	11,439
Qld	Lambs	4,518	5,919	4,406
	Sheep	7,935	11,874	6,573
Tas	Lambs	14,126	16,578	12,631
	Sheep	2,709	3,493	1,347

Saleyard throughput - for week ending 01/08/13				
At NLRS reported centres				
		TW	LW	LY
Vic	Lambs	39,531	30,719	35,916
	Sheep	19,925	14,438	11,821
NSW	Lambs	105,553	102,858	99,330
	Sheep	36,279	29,626	21,950
SA	Lambs	18,459	12,926	14,463
	Sheep	5,760	3,467	4,750
WA	Lambs	15,054	9,150	11,000
	Sheep	9,062	5,366	13,527
Tas	Lambs	950	925	630
	Sheep	500	50	35

#### Lamb and sheep slaughter

#### Lamb and sheep throughput

### National indicators

MLA's NLRS

#### Restocker feeder lamb

#### Heavy lamb

#### Mutton

Sheep and lamb price data is contained on page 9 market statistics.

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## Average July rain

Generally, July saw average rainfall across the majority of the country, which on top of the very mild winter temperatures, helped some pasture conditions to improve, particularly across parts of the southern states.

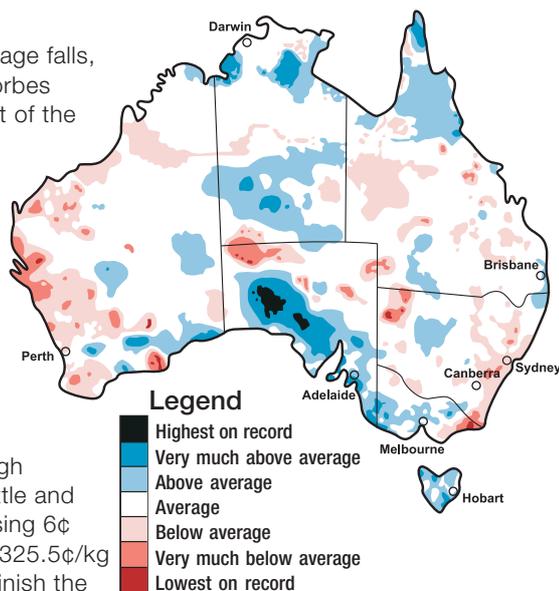
Encouragingly, most of Victoria and SA received average to above average falls through July – a period when higher rainfall is expected, with Bordertown, SA, receiving 89.4mm. In contrast, a large proportion of southern WA had below average rain, continuing the unseasonably dry run for the key agricultural regions.

Most of western NSW received average falls, following a wet June, with falls at Forbes totalling 50mm. However, in the east of the state, rain was lighter, with rain at Tamworth totalling 20.6mm for the month.

While average falls were recorded across the majority of Queensland and the NT during July, only small totals are required to make the average, with the 4.8mm recorded at Longreach average for the month.

Overall, the average falls were enough to continue the improvements in cattle and lamb markets, with the EYCI increasing 6¢ through the month, to close July at 325.5¢/kg cwt, while the ESTLI gained 9¢, to finish the month on 500¢/kg cwt.

Australian rainfall analysis – July 2013



MLA's NLRS

## Beef productivity growing at 0.9% per year – ABARES

The Australian beef industry has achieved productivity growth of 0.9% per year, primarily due to output growth of 0.6%, and moderate reductions (0.3%) of input use (Australian beef financial performance of beef cattle producing farms, 2010-11 to 2012-13 – ABARES).

Separating the northern and southern regions, productivity growth in the north has outpaced the south, with growth at 1% per year, largely assisted by the average herd size increasing 1.3% per year and stocking rates increasing 2% per year, since 1988-89. According to ABARES, the improvements have been the result of more sophisticated cattle management systems, the shift to a higher proportion of *bos indicus* cattle and the eradication of brucellosis and tuberculosis.

MLA's NLRS

### Hide indicator (\$/hide)

MLA's NLRS

	Green hides					
	141-180kg cwt			221-280kg cwt		
	TW	LW	LY	TW	LW	LY
Qld	nq	nq	20.80	nq	nq	31.90
NSW	nq	nq	20.17	nq	nq	32.83
Vic & SA - cow	nq	nq	23.00	nq	nq	36.00
Vic & SA - ylg, ox, hfr	nq	nq	24.33	nq	nq	37.00
	Tick free			Ticky		
Weight	TW	LW	LY	TW	LW	LY
23-32kg/hide	nq	nq	42.50	nq	nq	27.75
32kg+/hide	nq	nq	50.63	nq	nq	41.00
Brine cured hides (Qld)						
23-27kg/hide	nq	nq	59.00	nq	nq	nq
27-31kg/hide	nq	nq	65.50	nq	nq	nq

## Feeder prices firm

Feeder prices trended slightly dearer in places, although they were relatively unchanged across most categories this week, with reports suggesting tighter supplies are expected in weeks to come.

Quality is reportedly good for this time of year, with some well-conditioned lines still attainable.

MLA's NLRS

## Sheep skins ease, lamb skins firm

Sheep skin prices eased slightly this week, while lamb skin prices were firm, under tighter winter supply.

New season lamb skin prices were slightly higher this week, albeit while in limited supply, and quality is reportedly good. Interest from overseas markets remains steady.

MLA's NLRS

### Tallow (\$/t, delivered in store)

	TW	LW	LY
Prime - Melbourne	1000	nq	790
Prime - Brisbane	1000	nq	790
Bleachable fancy	945	nq	745

### Grain feed prices (\$/tonne)

Darling Downs	TW	LW	LY
Wheat	310	310	280
Barley	305	315	255
Sorghum	293	285	228
Riverina			
Wheat	280	277	256
Barley	258	255	236
Sorghum*	nq	nq	218

\*includes freight

Source: Profarmer

### Eastern Market Wool Indicator (¢/kg)

	TW	LW	LY
AWEX E.M.I	nq	nq	nq

Source: Australian Wool Exchange Ltd.  
www.awex.com.au

### Skin indicator (¢/skin)

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w/e 26/7/13				
Lambs		TW	LW	LY
2"+	16.1 - 20kg	838	838	625
	20.1 - 24kg	969	969	731
	24.1kg +	1113	1113	763
1"-2"	16.1 - 20kg	900	900	625
	20.1 - 24kg	1150	1150	850
	24.1kg +	1200	1200	875
0.5"-1"	16.1 - 20kg	575	575	500
	20.1 - 24kg	925	925	700
	24.1kg +	1100	1100	800
New season	16.1 - 20kg	750	750	575
	20.1 - 24kg	1225	850	750
	24.1kg +	nq	nq	800
Merino sheep (average 25 micron)				
1.5"-2"	16.1 - 20kg	800	900	700
	20.1 - 24kg	925	1025	800
	24.1kg +	1075	1175	900

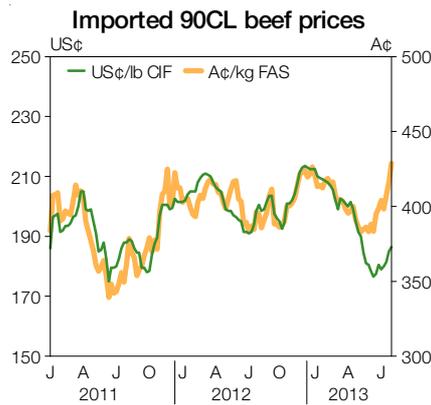
## Beef trimmings prices up in the US

There was reportedly less beef on offer from Australian and NZ exporters in the US this week, which helped push the price of imported lean beef (90CL) trimmings slightly higher than last week, although at 186.5US¢/lb CIF (428.8A¢/kg FAS) prices are still 14US¢ lower than a year ago.

Improved demand on the spot market also supported prices, although there appears to be some weakness in forward trades. If the depreciation in the A\$ continues, or at least steadies, this should help the imported beef market.

US-produced fat beef trimmings are still in relatively tight supply, and the 50CL market has continued to get dearer, against the usual seasonal trend – now trading around 115US¢/lb, a huge 68.5US¢ higher, year-on-year. A short supply of fed steers is seen as a major contributor to the dearth of fat trim, and this may have been exacerbated by more short plate exports from the US to Japan in recent months.

Cow and bull slaughter in the US has steadied in the last few weeks, slightly below this time last year, at around 130,000 head per week, and there are expectations for numbers to drop further in coming months as a result of lower feed costs and improving returns for cow-calf operators to sell to feedlots. This points to a positive price outlook for Australian lean beef exports for the remainder of 2013.



## Japan avoids triggering safeguard

Beef imports into Japan during June totalled 35,808 tonnes swt, down 23% from last year, as importers collectively reduced the customs clearance volumes to prevent triggering the tariff increasing safeguard system (data released by Japan's Ministry of Finance).

The safeguard is a trade mechanism which gives Japan the option to increase the beef import tariff from 38.5%, to 50%, for the remainder of the Japanese fiscal year, if imports exceed a set volume during the cumulative quarter.

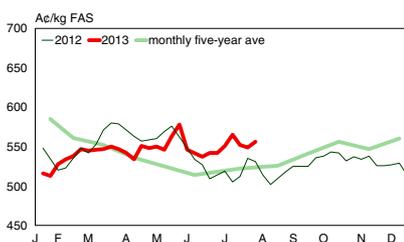
The collective measure to keep the clearance volumes low directly impacted imports from Australia, with both chilled and frozen intake during the month declining 22% year-on-year, to 8,337 tonnes swt, and 43%, to 9,823 tonnes swt, respectively. In comparison, imports from the US increased year-on-year, to 6,604 tonnes swt for chilled (up 6%) and 7,087 tonnes for frozen (up 19%).

Shipments from the US for the first six months of 2013 reached 75,295 tonnes swt, up 32% year-on-year, while beef demand in Japan has still been in its protracted recovery mode. The Japanese wholesale market this week reported slower than expected movements of imported frozen beef, with high inventories of US shortplate.

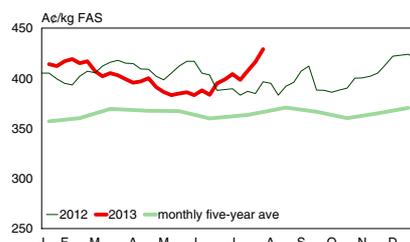
### Export price watch

Source: Australian trade, US trade

#### Japan grassfed fullset price



#### 90CL cow price to US



## Summer heat weakens beef demand in Korea

The imported beef trade in Korea was reportedly limited this week, mainly due to traders' concerns over the current unstable market condition, sluggish consumer demand, and the strong summer heat, which has shifted consumers' preference for meat protein from beef to pork and chicken (News Y).

Wholesale prices for imported beef this week generally remained firm week-on-week, but improved interest in cuts, such as short ribs, drove a rise in the monthly average prices for July. Australian short rib prices during July averaged KRW 11,500/kg – up 2% on last month and 24% than the monthly average last year, with US short ribs 4% dearer than June and 52% above the same month last year, at KRW 14,960/kg. Reportedly, the beef trade is anticipated to recover from mid-August, with expectations of rising demand from retailers in the lead up to Chuseok.

In contrast, Hanwoo carcass prices during July averaged KRW 12,160/kg, with a 1% rise on last month, but still 3% below the same month last year. Domestic pig carcass prices during July were 4% lower than July last year, at KRW 4,446/kg.

### Major demand indicators (A¢/kg FAS)

Japan	TW	LW	LY
Grassfed f/set	556	549	514
Shortfed f/set	nq	nq	nq
CF 85CL	392	385	nq
<b>US</b>			
Cow 90CL	429	416	395
Trim 85CL	402	395	357
Knuckles - steer	566	558	472

Source: Trade

### US lamb market

	w/e 26/7/13	TW	LW	LY
HRI leg (US¢/lb)		433	433	538
HRI rack (US¢/lb)		675	675	820
US lambs 55-65lb (US¢/lb dw)		263	273	335
US sheep and lamb slaughter ('000 head)*	w/e 13/7/13	45	37	38

Source: HRI Buyers Guide, USDA

### Exchange rate

Major currencies	around 4pm 1/8/13		
	TW	LW	LY
US dollar	0.897	0.916	1.048
Japanese yen	88.16	91.54	82.23
Korean won	1005	1023	1185
UK pound	0.592	0.597	0.674
Euro	0.676	0.693	0.856
NZ dollar	1.125	1.146	1.295
Indonesia rupiah	9219	9399	9925

Source: Infoscian

TW = This week, LW = Last week, LY = Last year



## US cattle outlook still hinges on the drought breaking

In a similar vein to much of the last five or more years, US cattle producers are in a position where there are widespread intentions to grow herd sizes, but the severe ongoing drought in large cow-calf producing areas remains the limiting factor, according to recent *Long Term Outlook* released by CattleFax.

There was a very high run of beef cow slaughter through the first half of 2013, resulting in expectations of a smaller beef cow herd to open 2014, perhaps down by as much as 300,000 head on 2013 opening numbers, to around 29 million head. However there could be a recovery through 2014, resulting in the first increase in the beef cow inventory since 2006. Cow slaughter is forecast to slow considerably in the fourth quarter of 2013, but this will depend on better pastures, more hay and cheaper corn.

High feed costs over the past two years have resulted in negative margins for feedlots, although the cow-calf sector has maintained reasonably profitable. There are expectations for a particularly good corn crop this year, which should translate to a drop in feed prices across most categories, and be of significant benefit for feedlots. Overall fed cattle slaughter in 2013 is forecast to be down 400,000 head this year, and a further 500,000 head lower in 2014, bringing the total to 29.4 million head. This drop could be reduced slightly if grain prices fall enough to encourage more calves onto feed.

Total beef production in the US, as a result of the forecast decline in slaughter, is expected to be much lower through the end of 2013 and 2014 (potentially the first consecutive four years to have production declines since 1913). In addition, CattleFax suggests US exports will outweigh imports in 2013 and 2014, further limiting the available supplies for domestic consumers. The growth of demand for beef in China is noted as a key reason for supplies starting to tighten around the rest of the world, with beef imports in China and Hong Kong (combined) expected to have increased by 400,000 tonnes in 2013 compared with 2011, despite global production being 63,510 tonnes lower.

Cattle price forecasts for the remainder of 2013 are very bullish across fed cattle, feeders and calves, underpinned by the expected tighter supply, although corn price movements will certainly be influential as well.

## Tight lamb supply in NZ prioritises chilled exports

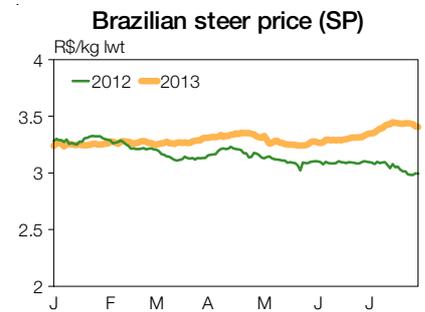
A recent report released by New Zealand's NIWA (weather bureau), confirms claims that the recent drought was the most widespread and extreme since 1945-46. As a result, the secondary effects of heavy sheep and lamb turnoff early in the year are now being realised.

Tight winter supply, combined with steady export demand, has encouraged NZ processors to prioritise exports to the higher value markets, with a large proportion of lamb being directed to fill chilled contracts in the US and EU. This will likely see NZ competition in other Australian export markets weaken ahead of an influx of new season lambs in summer.

## Brazilian steer prices up, despite dry

Brazilian steer prices, in Real terms (Brazilian currency), increased 12% year-on-year during July, averaging R\$3.41 kg/lwt, which is approximately A\$1.65 kg/lwt (Cepea/Esalq). Since early July, the supply of cattle ready for slaughter has been tight, helping prices to remain firm.

Steer prices, in general, have been firm since mid-May in almost all markets in Brazil. Interestingly, prices usually decrease during this time of year, due to the dry weather. However, the shortage of cattle for slaughter has kept prices buoyant. Surprisingly, and despite currently being in the dry season, prices are expected to remain firm over the coming weeks.



### US beef price indicators (US¢/lb)

	TW	LW	LY
90CL fresh	200.0	199.0	207.0
Chucks	221.5	221.5	210.5
Choice beef cutout	185.6	186.3	179.4
5 mkt fed steer (lwt)	120.4	120.0	114.2
CME feeder cattle (lwt)	148.5	145.8	135.1
Cutter cow carcass (lwt)	116.0	116.0	114.0

Source: Urner Barry, USDA

### Cattle slaughter ('000 head)

	TW	LW	LY
US - total	641	557	653
year to date	17,130	16,489	17,951
US - cows	121	98	132
year to date	3,405	3,284	3,445
Uruguay - total	30	30	39
year to date	1,258	1,228	1,198

Source: USDA, World Beef Report

### NZ livestock prices (A¢/kg)

	TW	LW	LY
Bulls 296-320kg	349	341	293
Cows 170-195kg	261	253	222
Steers 295-320kg	364	355	294

Source: NZX Agrifax

### NZ export lamb market

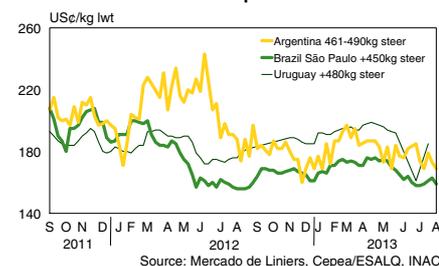
	TW	LW	LY
NZ chilled export leg to EU	695	691	582
NZ lamb 17.5kg cwt	442	432	426

Source: NZX Agrifax

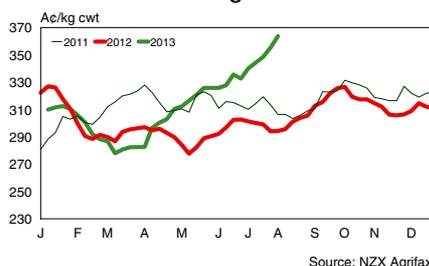
TW = This week, LW = Last week, LY = Last year

### Competitor prices

#### South America cattle prices



#### NZ OTH P2 295-320kg steer





### Egyptian food consumption to grow – despite problems

The latest *Business Monitor International (BMI)* Food and Drink report on Egypt paints a positive long term picture for food consumption in the country, despite short term weaknesses associated with the current political unrest. The report cites the large and expanding population as a key strength of the market. With a population of 83 million, Egypt is one of the most dynamic and fast moving consumer goods markets in the Middle East.

Food consumption is forecast to grow at an annual rate of 13.31% from 2012 to 2017, with strong economic growth, pending a resolution in the political crisis, expected to drive food consumption growth. This, combined with the large and growing population, will provide an aspirational consumer base, likely driving demand for higher valued food items, such as red meat.

Egypt has been a growing market for Australian red meat in recent years, despite the political and economic upheaval which started in 2011. Red meat exports (including offal) totalled 5,825 tonnes swt in 2012, well above the five-year average of 1,517 tonnes swt. Beef exports have slowed slightly over the first half of 2013, totalling 940 tonnes swt, down 14% when compared year-on-year. Mutton shipments have also slowed, down 54% to 1,003 tonnes swt, while offal volumes are down 25%, to 1,417 tonnes swt.

Technical barriers to trade have also proved a challenge for Australian red meat exports to the region, with various restrictions limiting the volumes of product entering the market. These include, but are not limited to, a tight maximum entry age for vacuum packed meat (14 to 24 days) and prohibitive expiry period (28 to 49 days) for vacuum packed meat. Despite the short term challenges associated with political unrest and technical market access restriction, the scope for increased Australian red meat exports to Egypt appears strong over the coming years.

#### Red Meat Market Report hot off the press

This report covers **US beef in the Japanese market**. If you'd like to receive this report and future *Red Meat Market Reports*, please phone (02) 9463 9163 or email [marketinfo@mla.com.au](mailto:marketinfo@mla.com.au) (please include your name).

## Foodservice sales up with Japan's economy

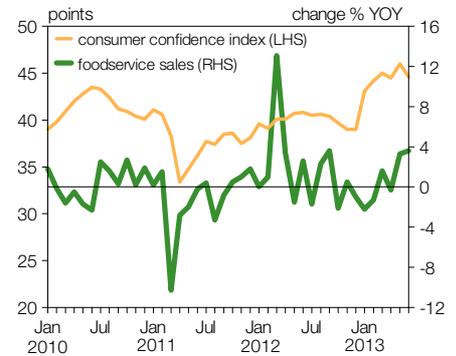
Foodservice sales in Japan increased 3.6% year-on-year in June, in tune with the slowly growing economic confidence among consumers.

The Japan Foodservice Association reported improved sales in fast food, family and dinner restaurants during the month, with yakiniku (Japanese/Korean style barbecue) within the family restaurant category demonstrating the largest growth of all (up 12.8% from a year ago). Underpinned by the increased availability of US beef in the market, yakiniku has regained its popularity in the Japanese dining out scene, with sales and money spent per customer improving year-on-year for 11 consecutive months.

In the fast food sector, burgers and gyudon (beef rice bowl) – other key outlets for Australian beef – also registered increased sales in June, however, different strategies brought mixed results to businesses. Despite a reduced number of customers, McDonalds grew its sales (2.6%) and spend per customer (3.8%) from last year, thanks to its combined marketing of discounted and high-value products. Yoshinoya (gyudon) customer numbers jumped 22%, but its low price campaign partially offset its sales (up 14.6%, data from *Nikkei Marketing Journal*).

The positive news from the foodservice sector is seen as one of early indications that the market is on track to a gradual economic recovery, led by Prime Minister Abe, whose party (Liberal Democratic Party) won a landslide victory in the Upper House election in mid-July. Monthly consumer confidence index (surveyed by the Cabinet Office of Japan) in 2013 has shown improvement in income growth, employment and overall livelihood compared with the same period in 2012.

Japan consumer confidence and foodservice sales



Source: Cabinet Office of Japan, Japan Foodservice Association

## EU market faces challenges

The EU has been a bright spot for the Australian beef industry in recent years, with beef shipments up 31% year-on-year in 2012-13, totalling 17,531 tonnes swt. The situation for Australian sheepmeat has been slightly less favourable; however the EU is still a valuable and important destination for Australian sheepmeat, with 16,735 tonnes swt of Australian sheepmeat exported to the EU in 2012-13. An analysis of the situation on the ground in the EU provides for some interesting findings, with beef and sheepmeat consumption falling slightly, as domestic supply falls and the economic situation remains bleak.

Demand for beef has remained depressed due to the ongoing economic downturn, yet tight supply has driven cattle prices to record highs. According to GIRA, this has made the situation for processors in the EU very difficult, as retailers have endeavoured to accommodate consumers with lower confidence, and consequently squeezing processor margins. Not only this, lower consumer confidence has reduced demand for high end cuts, leading to carcass balance issues and reduced profitability in the processing sector.

Beef consumption is forecast by GIRA to fall 3% in 2013, when compared year-on-year, which is a reflection of the continued poor economic situation, and the relatively high beef price, driven by high cattle prices. Despite these challenges, third country beef imports have been strong in 2013 (Jan-May), totalling 82,397 tonnes swt, up 17% when compared year-on-year. Higher export volumes from Brazil and increased usage of the EU grainfed beef quota by Australia, the US and Uruguay have driven imports higher.

EU sheepmeat consumption continues to decline, according to GIRA, with consumption in 2013 forecast to decline 2%, reflecting lower production in the EU and lower full year imports. The short supply from both domestic and foreign origins will likely drive prices higher, and consequently, consumption lower. Despite this, GIRA remains positive for EU sheepmeat demand in the premium and ethnic markets.



## Australia represents 43% of China's red meat imports in 2012-13

Chinese red meat imports during 2012-13 surged 214% year-on-year, to 373,942 tonnes swt, comprising of 177,345 tonnes swt of beef, up 711% on 2011-12, and 196,597 tonnes swt of sheepmeat, up 102% (Global Trade Atlas, China Customs).

Australia was the largest red meat supplier to China during 2012-13, with the total volume reaching 162,015 tonnes swt (up 243% on 2011-12), representing 43% of total imports. Chinese imports of Australian beef showed rapid growth, up 935% year-on-year, at 83,764 tonnes swt, with China's intake of Australian chilled beef reaching 6,958 tonnes swt, up significantly from only 371 tonnes swt in 2011-12. Australia accounted for 96% of the chilled market sector in China. Imports of Australian frozen beef also increased dramatically, up 895% year-on-year, to 76,806 tonnes swt.

Underpinning the surge is China's continued strong demand for imported beef, along with China's ban on Brazilian beef since December last year. Australian beef market share (chilled and frozen) has moved from 37% in 2011-12, to 47% in 2012-13.

Along with the surge in Australian beef imports, China imported a total of 78,251 tonnes swt of Australian sheepmeat during 2012-13 (up 100% on 2011-12), making Australia the second largest sheepmeat supplier to China after NZ.

China's imports of NZ red meat during 2012-13 rose 136% on 2011-12, to 141,199 tonnes swt, with the volume of NZ beef lifting 621%, to 27,531 tonnes swt. NZ remained the largest sheepmeat supplier to China during 2012-13 (58% of imports), with shipments totalling 113,668 tonnes swt, up 103% on 2011-12.

Following Australia and NZ was Uruguay, with China's intake of Uruguayan red meat during 2012-13 rising 427% on 2011-12, to 47,227 tonnes swt. While the volume of Uruguayan beef into China climbed to 42,549 tonnes swt (up 508% on 2011-12), Uruguayan market share shrunk to 24% in 2012-13, from 32% in 2011-12. China took 4,678 tonnes swt of Uruguayan sheepmeat in 2012-13 (up 139%).

## Drought conditions underpin mid-year beef projections

**MLA's mid-year beef projections update, released this week, have been heavily influenced by the impacts of the failed wet season in the north, combined with large herd numbers and very poor summer and autumn in the southern states.**

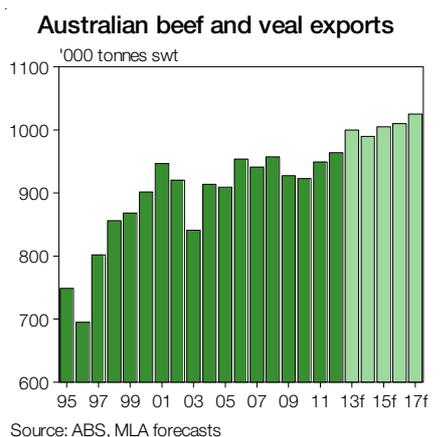
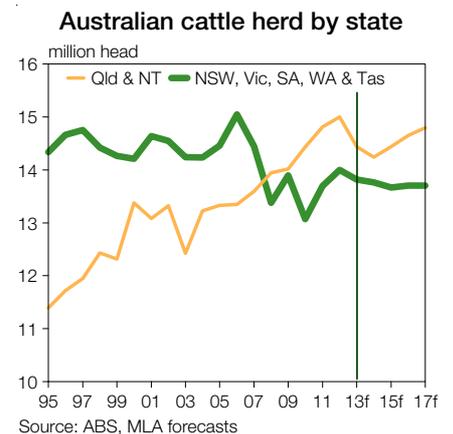
One of the major updates to the projections is the impact of the dry conditions in 2012-13, resulting in historically high turnoff for the January to June period, which has put slaughter for 2013 on track to reach 7.725 million head, up in 5.1% year-on-year. Looking further ahead, after a tightening of supplies and a likely smaller calf crop, slaughter in 2014 is projected to ease 2.9%, to 7.5 million head.

While slaughter is forecast higher this year, production has only been revised up slightly (1.7% year-on-year), and is likely to reach 2.188 million tonnes cwt. Underpinning the smaller increase is an expected lighter average adult carcass weight, at 278kg/head (down 3.3%), caused by an increased proportion of females and unfinished cattle killed.

A further update to the previous forecast is the growth trajectory of the Australian cattle herd, which came to an abrupt halt due to the drought conditions and historically high slaughter levels throughout 2012-13. The Australian herd as at 30 June 2013 is estimated at 28.25 million head, down 2.6% year-on-year, and given the role of the seasonal conditions in herd expansion, it now appears that the Australian cattle herd peaked at around 29 million head, as at June 2012 (MLA estimate). A further smaller decline is forecast for 2013-14, as the impact of the very poor 2012-13 breeding season becomes evident.

With the drought induced surge of cattle offerings during 2012-13, focussed upon the influx of cattle from northern and western Queensland, cattle prices registered a steady downward trend, bottoming out during autumn, when the southern and northern peak turnoff periods combined. While a wet start to winter across southern Australia has influenced supply and price considerations for the remainder of 2013, it will again be the timing, reach and frequency of the northern wet season that will have the largest influence upon cattle prices and supplies for the coming year.

Due to the combination of drought induced slaughter and already very high exports for the first six months of 2013, Australian beef and veal exports are likely to reach one million tonnes swt, up 4% year-on-year, and be the highest on record for any calendar year. The very noticeable difference to the 2013 update, compared to previous years, is the increasing demand from the emerging markets, compared to the traditional Japan, Korea and US.



## MLA's 2013 Australian Cattle Industry Projections Mid-year update available now.

The *Mid-year Cattle Industry Projections update* provides a comprehensive update on the Australian cattle industry. To view the latest 2013 MLA Cattle Industry Projections update, please go to [www.mla.com.au](http://www.mla.com.au)

### Domestic Indicators

TW = This week, LW = Last week, LY = Last year

Category definitions are as per tables on front page.

#### Over the hooks cattle indicators (¢/kg cwt)

MLA's NLRS

NOTE: WA over the hooks cattle indicator now as per table on bottom of this page.

	Qld*			NSW			Vic			SA			Tas		
	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY
Trade steer	308	308	315	312	312	322	338	338	348	320	320	330	nq	nq	nq
Medium steer	285	285	308	302	302	319	333	333	345	nq	nq	nq	345	332	335
Heavy steer	295	295	319	310	310	333	333	333	338	nq	nq	nq	345	332	335
Medium cow	238	238	280	247	247	278	265	265	279	265	265	258	262	245	283
EU steer	nq	nq	nq	360	360	345	nq								

\* Qld quotes are for Southern Queensland only

#### Saleyard cattle indicators

MLA's NLRS

NOTE: WA saleyard cattle indicator now as per table on bottom of this page.

	Qld			NSW			Vic			SA			Tas		
	TW	LW	LY												
Trade steer (¢/kg lwt)	167	178	199	197	197	216	201	194	216	190	181	200	174	166	202
(¢/kg cwt)	303	324	386	360	364	403	361	358	397	353	334	365	325	311	367
Medium steer (¢/kg lwt)	145	149	173	177	181	185	193	196	196	nq	nq	202	176	175	189
(¢/kg cwt)	274	270	323	328	337	343	353	357	363	nq	nq	369	328	324	350
Heavy steer (¢/kg lwt)	163	164	180	190	190	197	190	194	203	nq	190	nq	nq	nq	nq
(¢/kg cwt)	292	295	325	338	342	355	348	356	370	nq	352	nq	nq	nq	nq
Medium cow (¢/kg lwt)	108	109	134	130	129	135	143	145	143	144	136	145	139	137	142
(¢/kg cwt)	220	224	270	272	275	285	299	291	299	288	275	293	302	284	302
Feeder steer (¢/kg lwt)	171	169	202	190	190	211	169	185	185	184	177	195	nq	nq	nq

#### Over the hooks sheep and lamb indicators (¢/kg cwt)

MLA's NLRS

	Vic			NSW			SA			WA			Tas			Qld		
	TW	LW	LY	TW	LW	LY												
Medium trade lamb	524	521	454	509	509	460	520	520	470	434	434	499	470	470	410	nq	nq	nq
Heavy trade lamb	523	519	445	506	506	447	520	520	470	434	434	499	470	470	410	nq	nq	nq
Heavy lamb	520	517	445	503	499	422	520	520	470	430	430	470	475	475	400	nq	nq	nq
Mutton	258	254	306	257	251	286	280	280	260	200	200	nq	255	255	240	nq	nq	nq

#### Saleyard sheep and lamb indicators

MLA's NLRS

	Vic			NSW			SA			WA			Tas		
	TW	LW	LY												
Restocker/feeder (\$/head)	37	36	43	63	61	62	58	57	52	45	44	61	nq	nq	74
Merino lamb (¢/kg cwt)	384	397	368	383	427	359	399	405	337	380	327	450	nq	nq	nq
Light lamb (¢/kg cwt)	392	422	386	391	412	378	405	379	382	363	359	447	466	431	410
Trade lamb (¢/kg cwt)	468	515	428	496	515	419	475	511	400	403	405	503	496	489	426
Heavy lamb (¢/kg cwt)	503	537	414	512	529	403	491	530	386	376	410	516	534	517	410
Mutton (¢/kg cwt)	289	301	310	296	299	292	262	278	295	209	190	293	264	nq	nq

#### Over the hooks pig indicators (¢/kg cwt)

MLA's NLRS

	NSW			Qld			Vic			SA			WA		
	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY
Pork DF 45 - 60kg	nq	nq	340	nq	nq	308	nq	nq	274	nq	nq	323	nq	nq	nq
Bacon GI 60 - 75kg	nq	nq	287	nq	nq	265	nq	nq	269	nq	nq	273	nq	nq	nq
Backfitter sows 90kg+	nq	nq	130	nq	nq	103	nq	nq	133	nq	nq	133	nq	nq	nq

#### Live export price quotes (¢/kg lwt)

		TW			LW			LY		
Light steers	(260 - 360 kg)	Darwin	150	150	200					
	(260 - 360 kg)	Broome	nq	nq	nq					
Light heifers	(260 - 360 kg)	Darwin	nq	nq	175					
	(260 - 360 kg)	Broome	nq	nq	nq					
Export wethers	(A\$/head)	Muchea	55	nq	nq					

Source: MLA's NLRS, Landmark

#### Feeder cattle indicators (A¢/kg lwt)

w/e 26/7/13

	Paddock sales	TW			LW			LY		
Domestic	Steers 280-350kg	186	187	215						
	Heifers 280-350kg	166	168	203						
Export	Shortfed 100-120 DOF	173	172	194						
	Mediumfed 120-220 DOF	190	189	204						
	Longfed 220+ DOF	186	185	217						

#### WA Over the hooks cattle indicators (¢/kg cwt)

MLA's NLRS

	MIN	MAX	AVG
Grassfed yearling	nq	nq	nq
Grainfed yearling	320	410	365
MSA yearling	320	410	365
Medium cow	210	225	218

#### WA Saleyard cattle indicators (¢/kg lwt)

MLA's NLRS

	TW	LW	LY
Pastoral cow	116	109	116
Heavy cow	125	123	135
Heavy yearling	192	185	201
Feeder yearling	172	185	217

NOTE: Tallow price table has moved to page 4.

NOTE: Feeder cattle prices are for cattle purchased for direct entry into feedlots.



## Japan market

TW = This week, LW = Last week, LY = Last year

### Imported beef price in Kanto wholesale market

¥/kg spot, US¢/lb C&F*	TW	LW	LY	
<b>From Australia chilled</b>				
grassfed	¥/kg	860	865	710
fullset	US¢/lb	269	266	276
shortfed	¥/kg	975	980	855
fullset	US¢/lb	306	302	335
midfed	¥/kg	1165	1165	1070
fullset	US¢/lb	367	361	422
longfed	¥/kg	nq	nq	nq
fullset	US¢/lb	nq	nq	nq
grassfed navel	¥/kg	665	640	635
end brisket	US¢/lb	205	194	245
grassfed	¥/kg	765	770	605
chuck roll	US¢/lb	238	235	233
shortfed navel	¥/kg	715	715	775
end brisket	US¢/lb	222	218	302
shortfed	¥/kg	815	815	735
chuck roll	US¢/lb	254	250	286
<b>Frozen</b>				
brisket	¥/kg	665	665	555
	US¢/lb	209	206	218
chuck/blade	¥/kg	765	725	615
	US¢/lb	242	225	242
cow meat	¥/kg	615	625	500
(85CL)	US¢/lb	193	193	195
<b>From US chilled</b>				
chuck rib	¥/kg	1650	1650	1300
	US¢/lb	525	516	515
short rib	¥/kg	2350	2350	1900
	US¢/lb	751	739	759
steak ready	¥/kg	2750	2750	2200
	US¢/lb	881	866	881
<b>Frozen</b>				
chuck roll	¥/kg	nq	nq	nq
	US¢/lb	nq	nq	nq
short plate	¥/kg	660	680	950
	US¢/lb	208	211	378

Source: Chikusan Nippo

### Imported offal prices in Kansai wholesale offal market

¥/kg spot, US¢/lb C&F*	TW	LW	LY	
<b>From Australia frozen</b>				
tongue	¥/kg	1350	1350	1200
(swiss cut)	US¢/lb	528	519	587
thick skirt	¥/kg	625	625	525
	US¢/lb	240	236	251
thin skirt	¥/kg	575	575	575
	US¢/lb	220	217	276
mountain	¥/kg	1250	1250	1400
chain tripe	US¢/lb	551	542	775
<b>From NZ frozen</b>				
tongue	¥/kg	1100	1100	975
(swiss cut)	US¢/lb	429	422	475
<b>From Mexico frozen</b>				
tongue	¥/kg	1250	1250	1150
(swiss cut)	US¢/lb	488	480	562
<b>From US frozen</b>				
mountain	¥/kg	nq	nq	nq
chain tripe	US¢/lb	nq	nq	nq

Source: Shokuniku Sokuho

Prices are indicator only

\* Export price equivalent (C&F) after removing from the wholesale price import tariffs, indicative landing charges, marine insurance and other import costs (converted into US¢/lb).

† Indicative price average of Australian and New Zealand products.

\* Australian export prices to Japan are converted from US¢/lb C&F to Ac/kg FAS terms using the \$A/\$US exchange rate, converting from lbs to kgs and calculating the average freight rate to Tokyo Port (chilled = Ac40/kg; frozen = Ac30/kg). Values are market indicator only based on MLA survey with Australian trade.

### Beef export prices to Japan

Ac/kg FAS, US¢/lb C&F <sup>#</sup>	TW	LW	LY	
<b>Chilled</b>				
grassfed fullset	US¢/lb	243	245	264
	Ac/kg	556	549	514
shortfed fullset	US¢/lb	nq	nq	nq
	Ac/kg	nq	nq	nq
<b>Frozen</b>				
chuck/blade	US¢/lb	nq	nq	210
	Ac/kg	nq	nq	412
thick flank	US¢/lb	nq	nq	nq
	Ac/kg	nq	nq	nq
CF 85CL	US¢/lb	172	173	nq
	Ac/kg	392	385	nq
topside	US¢/lb	nq	nq	nq
	Ac/kg	nq	nq	nq
silverside	US¢/lb	nq	nq	nq
	Ac/kg	nq	nq	nq
brisket	US¢/lb	185	183	202
	Ac/kg	425	409	394

Source: Australian beef trade

### Domestic beef carcass prices – Tokyo

Steer	¥/kg	TW	LW	LY
Wagyu (A5)		2089	2122	1926
Dairy (B3)		nq	nq	nq
F1 (B3)		1262	1233	1084
Dairy (B2)		778	731	551
F1 (B2)		1182	1100	948

Source: Shokuniku Sokuho

## Korea market

### Korean wholesale prices

won/kg	TW	LW	LY
<b>Korean domestic wholesale*</b>			
Hanwoo carcass	12020	12237	12125
beef cattle carcass	7143	7658	8147
pig carcass	4607	4269	4003
<b>Australian wholesale</b>			
brisket deckle off	7300	7300	7100
rump	8500	8600	nq
chuck roll	8100	8100	7600
short rib	nq	nq	9300
<b>US wholesale</b>			
grainfed chuck roll	8200	8200	7600
grainfed short rib	15000	15000	9900

Source: Korean trade, HKJM

## US domestic/export markets

### Beef export prices to the US<sup>†</sup>

US¢/lb CIF, Ac/kg FAS	TW	LW	LY	
<b>Frozen</b>				
Bull 95CL	US¢/lb	193.5	193.0	210.3
	Ac/kg	446.0	435.4	415.2
Cow 90CL	US¢/lb	186.5	185.0	200.5
	Ac/kg	428.8	416.2	394.8
CC/CF 85CL	US¢/lb	177.0	177.5	184.5
	Ac/kg	405.5	398.2	361.2
Shank 90CL	US¢/lb	nq	nq	198.5
	Ac/kg	nq	nq	390.6
Trim 85CL	US¢/lb	175.5	176.0	182.5
	Ac/kg	401.9	394.6	357.0
Trim 80CL	US¢/lb	167.0	169.0	160.0
	Ac/kg	381.0	377.9	309.8
Trim 75CL	US¢/lb	151.5	152.5	136.5
	Ac/kg	343.0	338.3	260.5
Trim 65CL	US¢/lb	131.5	130.5	nq
	Ac/kg	294.0	285.5	nq
Chucks 85CL	US¢/lb	nq	nq	nq
	Ac/kg	nq	nq	nq
Outside flats	US¢/lb	nq	nq	nq
- steer	Ac/kg	nq	nq	nq
Knuckles	US¢/lb	242.5	244.0	237.5
- steer	Ac/kg	566.1	557.8	472.4
Inside cap off	US¢/lb	252.5	252.5	262.5
	Ac/kg	590.6	578.2	524.8

Source: Steiner Consulting Group

### US cattle futures

US¢/lb lwt	Contract	TW	LW
Live cattle	Feb-14	129.95	129.78
	Apr-14	130.98	130.70
	Jun-14	126.10	126.30
	Aug-13	121.45	121.58
	Oct-13	125.48	125.68
	Dec-13	128.38	128.28
Feeder cattle	Jan-14	159.15	158.98
	Mar-14	159.68	159.60
	Apr-14	160.25	160.50
	May-14	160.40	161.10
	Aug-13	153.43	153.03
	Sep-13	156.98	156.38
	Oct-13	159.10	158.00
	Nov-13	160.05	158.85

Source: CME

### US domestic prices

Boneless beef US¢/lb - Fresh	TW	LW	LY
90CL	200.0	199.0	207.0
85CL	189.5	190.5	187.0
75CL	nq	nq	155.0
50CL	110.0	104.5	44.0
2pc b/less chuck	221.5	221.5	210.5
insides	260.0	260.0	260.0
outsides	200.0	200.0	210.0
knuckles	215.0	215.0	220.0

Source: Umer Barry

Australian export prices to the US are converted from CIF to FAS terms by calculating an average shipping rate to the Port of Philadelphia (freight plus surcharges for a 20ft reefer), insurance, the A\$/US\$ exchange rate and the conversion from lbs to kgs.

CL = Chemical Lean – lean meat as a % of total meat.