



Key Points

More plants opening, but cattle not there

Grass growth lifts interest in store cattle

More variety for lambs

Expect \$15-\$20/hd more for your lambs in December

M2 BULL
\$/KG
5.50

US IMPORTED 95CL
US\$/LB
2.18

LAMB
\$/KG
7.25

MUTTON
\$/KG
4.35

NZD:USD
0.70

VIEWPOINT

Composition of beef production changing



Rachel Agnew



Reece Brick

NZ beef production for the 2017/18 season is forecast by B&LNZ to be static on 2016/17. The composition of production is expected to change, however, with a growing number sourced from the dairy industry. New season bull and cow production is expected to respectively lift by 2.8% and 1.6%. Prime beef production, however, is expected to decline significantly. Steer production is picked to drop by 6.5% and while heifer production is only expected to fall by 1.6%, a lift in the dairy heifer kill offsets declining beef heifer production.

It is no secret that the number of traditionally bred cattle is on the decline with breeding cow numbers showing no signs of growth for close to ten years. The shortage of traditional cattle is notable in the store market, where intense competition for all ages has pushed prices to record highs and placed them out of kilter relative to schedule prices. As the supply of dairy cross cattle exceeds

the traditional breeds, a two-tier market between breeds is becoming more notable in the store market. The growing proportion of NZ's steer production that originates from the dairy industry will also impact the quality of product we export. Demand for a limited supply of NZ's traditionally bred beef production may act to push global prices up. It will also have an impact on the level of procurement competition for these types of cattle from both local trade and export processors. Demand may force a larger price differentiation between the crossbred and traditional prime cattle.

While there are some signs of increased heifer retention this season, it will take time for this to have an impact in the store and slaughter markets, and production lifts are not likely to be significant. In contrast, the influence of the dairy industry will continue to lift which will bring with it new challenges for the beef industry.

Are we turning the corner?

The sun finally decided to show its face through large portions of the North Island. The mixture of sunlight and a brisk breeze or two has dried paddocks out and given grass the long awaited boost it's needed.

Northland, Waikato and Taranaki are still behind where they'd generally be at this point in the year. A large number of dairy farms are still buying in feed supplements to maintain milk production.

Another week or so of similar weather would definitely be welcomed. Unfortunately the latest short-term forecasts indicate more rain will make its way through the central North Island through the weekend and early next week.

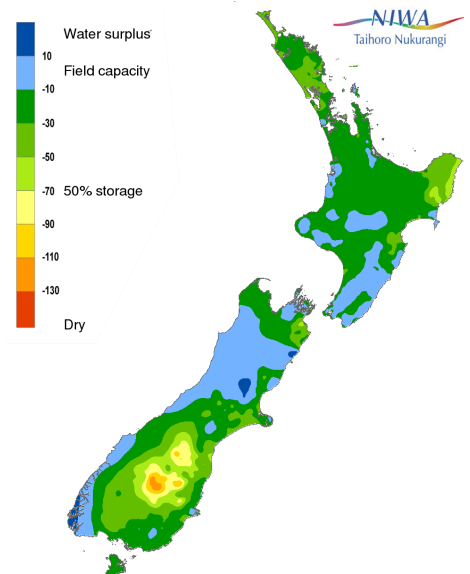
The eastern side of the island is definitely in a better position than the rest of the North Island, seemingly striking a balance between moisture and sunshine. The Hawke's Bay looks well positioned for the next four weeks or so.

WEATHER & CURRENCY

Weather	Rainfall (MM)			Soil Temp		
	TW	LM	LM vs ave	TW	LM	Trend
Northland	2	81	Ave	15.0	14.2	Up
Waikato	4	76	Ave	13.4	13.1	-
Bay Of Plenty	1	138	High	12.6	12.4	-
King Country	4	105	Ave	14.0	13.7	-
Taranaki	4	128	Ave	11.2	11.3	-
Gisb./Wairoa	3	50	Low	14.8	6.8	Up
Hawke's Bay	1	82	High	12.2	11.9	-
Mana./Wang.	3	98	High	12.9	12.6	-
Wairarapa	2	66	Ave	12.0	11.9	-

Currency	Change	TW	LW	LM	LY
NZD:USD	-2.0%	0.698	0.712	0.729	0.717
NZD:GBP	-0.8%	0.532	0.537	0.537	0.586
NZD:EURO	-1.8%	0.591	0.601	0.610	0.658
NZD:AUD	-2.3%	0.889	0.910	0.920	0.941

Soil moisture deficit (mm) at 9am on 19/10/2017



▶ CATTLE

More plants opening, but cattle not there

The cattle slaughter market marched forward in a similar state to a week ago, and indications to date suggest it'll stay firm despite the wishes of processors.

The majority of plants have found it harder to source cattle. Part of this comes from the reduction in the number of cows coming off dairy farms, as was anticipated. Prime numbers are slim too, with many steers through the wetter parts of the country still a month or so away from being ready to kill.

Local trade operators were paying \$5.70-\$5.90/kg and although export prime processors generally matched

these levels, there is plenty of variability within the \$5.60-\$5.80/kg range.

Only small numbers of bulls are coming forward but there was more of a top-end to these, putting these at \$5.50-\$5.70/kg. Cows were at \$4.10-\$4.30/kg.

A numbers of plants are re-opening through this week and next, and the need to fill these will likely keep beef prices firm in the short-term. With that said local trade cattle through the lower North Island have been easy enough to source, so there is the potential for a little weakness in this area.

Grass growth lifts interest in store cattle

There's been a slight change in mood around store cattle. A week of good weather for the North Island has generated a lift in interest, and any cattle available have proven relatively easy to shift. Worries about beef schedules appear to have been put on the back-burner as keeping grass under control becomes more of a priority. The main issue is finding quality lines. Many are offloading just the tail-end of their cattle and holding onto the rest, only making good quality cattle more valuable.

Yearling Hereford-Friesian heifers were in demand at Taupo, where 245-270kg lines regularly made \$3.40-\$3.56/kg. A big line of 310kg Hereford-Friesians steers were strong too at \$3.79/kg. Stortford mainly consisted

of large numbers of yearling bulls. Friesians, 305-315kg, were \$3.18-\$3.25/kg, and 355-385kg traditional bulls were \$3.18-\$3.28/kg.

At Feilding 1yr traditional steers at 360-370kg averaged \$3.59/kg. 2 yr Angus steers at 515-595kg averaged \$3.28/kg with per head prices up to \$1930. 1 yr Friesian bulls at 280-305kg averaged \$3.18/kg and 350-375kg averaged \$3.00/kg.

100kg calves have continued to sell to very strong interest, with Friesian bulls mainly \$530-\$560 this week. Numbers on the market remain low. Improved weather across the island will be favourable for getting these calves to 100kg, and we would expect to see larger volumes appear through November.

Softer tone to US imported beef market

Reports indicate US imported beef prices have moved slightly lower again this week. This is not unexpected and typically happens at this point of the season.

NZ hasn't been pushing product into the US which is understandable given our low beef slaughter right now. However the market continues to preempt a changing situation and expects that NZ volumes will start to lift in the coming weeks.

The big change however has been the lack of offers out of Australia following significant rainfall through Queensland. Processors are taking out capacity following a sharp drop in cattle availability. This is now causing delays in shipments out of Australia.

This has the potential to take some of the sting out of the further downside expected, particularly if cattle supplies in Australia remain tight for the remainder of the year.

NZ exports less beef in 2016/17 season

A shortfall of over 100,000 head of cattle processed in the 2016/17 season contributed to much lower beef exports for the season.

September export data shows that NZ exported 430,000 tonnes of beef in 2016/17, down by 36,000t on the previous season. A 15% reduction in the national cow kill resulted in a smaller flow of manufacturing beef to the US.

Exports there were down by 20,000t to 183,000t. This is the smallest volume of NZ beef sent to the US since the

2012/13 season when 175,000t was exported. It is also a far cry from the record volume of 230,000 sent in the 2014/15 season. The US remains our largest market, they accounted for 43% of our exports last season, down 1% on the previous season.

China has stepped up to the plate and now accounts for 18% of NZ beef exports. This equates to just on 80,000t of beef annually. In the 2011/12 season NZ beef exports to China totaled just over 7,000t.

high lights

\$3.40-\$3.56/kg

Hereford-Friesian heifers, 245-270kg, at Taupo

\$530-\$560

Spot market for 100kg calves still strong

\$5.50-\$5.70/kg

Bit more top-end to bull kill prices

M2 BULL SCHEDULE \$/KG 5.50

WNR STORE BULL \$/KG 540.00

US 95CL BULL US\$/LB 2.18

Slaughter cattle prices

\$/kg		+/-	NW	TW	Range	LM	LY
M2 Bull	300kg	n/c	5.50	5.50	5.40 - 5.70	5.40	5.10
P2 Steer	300kg	n/c	5.70	5.70	5.60 - 5.80	5.70	5.40
P2 Cow	230kg	n/c	4.25	4.25	4.10 - 4.30	4.30	4.00
M Cow	200kg	n/c	4.25	4.25	4.10 - 4.30	4.30	4.00
Local Trade	230kg	n/c	5.80	5.80	5.70 - 5.90	6.00	5.55

Slaughter values are gross operating prices in the NI including premiums

Store cattle prices

\$/kg		+/-	NW	TW	Range	LM	LY
Wnr Bull	100kg	-10	540	550	530-560	n/a	475
1yr Bull	300kg	n/c	3.15	3.15	3.10 - 3.25	3.20	3.05
	250kg	n/c	3.30	3.30	3.25 - 3.40	3.50	3.40
1yr Steer	300kg	n/c	3.75	3.75	3.50 - 3.80	3.65	3.55
	250kg	n/c	3.85	3.85	3.60 - 3.90	3.80	3.85
1yr Heifer	280kg	n/c	3.60	3.60	3.40 - 3.60	3.55	3.30
	250kg	n/c	3.65	3.65	3.50 - 3.70	3.60	3.50
2yr Bull	500kg	n/c	2.95	2.95	2.85 - 3.05	3.00	3.00
	450kg	n/c	3.00	3.00	2.95 - 3.10	3.10	3.10
2yr Steer	500kg	n/c	2.95	2.95	2.90 - 3.20	3.10	3.05
	450kg	n/c	3.05	3.05	3.00 - 3.20	3.20	3.10
2yr Heifer	450kg	n/c	2.85	2.85	2.80 - 3.00	3.00	2.90
	380kg	n/c	2.95	2.95	2.70 - 3.00	3.05	3.00

Store values are average gross on-farm prices available on a line

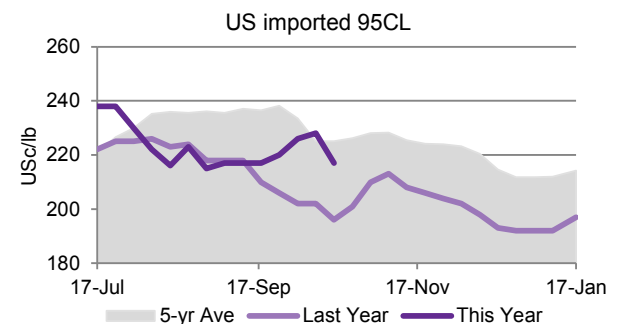
Beef export demand and procurement indicators

	+/-	TW	LW	LY	LM	LY	5yr-ave
US 90CL \$/lb	-5	2.00	2.05	1.88	-1%	+6%	-6%
US Dom Cow	n/c	2.14	2.14	1.92	-4%	+11%	-4%
US 95CL \$/lb	-2	2.18	2.20	2.01	-1%	+8%	-3%
NZ\$/kg	+8	6.89	6.81	6.18	+4%	+11%	+6%
Margin CIF-FOP	+8	1.39	1.31	1.08	+14	+31	-10

Procurement Indicator - Schedule as % of US 95CL price

% Returned	-1	80.1%	80.7%	82.5%	-1	-2	+2
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NW= Next week, TW = This week, LW = Last week, LY = Last year, LM = Last month



LAMB
More variety for lambs

Spot-market rates for lambs lifted a touch this week, though this wasn't consistent through the entire market. Processors were mainly paying within the \$7.10-\$7.30/kg range, but there were small instances of even more being offered.

Generally new season lambs are making 10-15c/kg more than old season hoggets, though only limited numbers of these are coming forward, mainly from the East Coast.

Companies on the lower-end of the spectrum have good numbers of lambs flowing in on contracts, reducing their need to compete on the spot-market. Many companies are well booked with contract lambs over the next two weeks, so any significant lift is unlikely for the remainder of the month.

The mutton market is also firm with returns between \$4.20-\$4.50/kg achievable this week.

Store lamb market in transition period

Activity on the store lamb front is extremely limited right now. Old season lambs are essentially done and dusted for the year, while new season lambs remain a few weeks away from gaining any volume to them.

A few new season lambs are trickling into the saleyards and are selling relatively well. Around 1100 mixed sex blackfaces lambs were sold at Stortford, with 28-31kg lines making \$3.97-\$4.05/kg and 24-27kg at \$4.16-\$4.32/kg.

Feilding fell a little flat compared to a week ago. Two lines of 27-31kg lambs did

well enough at \$109-\$118, \$3.76-\$4.10/kg, but three good sized 18-24kg could only manage \$67.50-\$90, \$3.69-\$3.99/kg.

A large consignment of hoggets from the Chatham's sold well at Stortford. Ewe hoggets, 32-43kg, were strong at \$125-\$151, \$3.58-\$3.85/kg. A few 32-37kg mixed lines averaged \$3.76-\$3.77/kg.

Ewes with LAF are showing no signs of slowing down. Good lines with forward lambs are regularly making \$96 plus all counted. Other more moderate types have generally made \$80-\$90 both in the yards and in the paddock.

Expect \$15-\$20/hd more for your lambs in December

Farmers will be satisfied with the expected pricing levels for new season lambs through to Christmas.

Regardless of the predetermined downside in market prices from November, Agri HQ's latest Livestock Outlook indicates farmers stand to make an average \$15-\$20 per head more for lambs processed through December compared to last December.

The report indicates North Island farmgate lamb prices will be averaging \$6.90/kg in November, easing back to an expected average of \$6.30/kg in December. The strength of the market through this period is a reflection of the stronger demand for lamb seen throughout 2017. New season lamb prices have only started the season at a higher level once before and that was

in 2011.

These forecasts are on the proviso that the flow of lambs into processing plants is relatively smooth. Any sign of backlogs or processing delays will have a negative impact on farmgate prices and will see procurement competition reduced and farmgate prices pulled faster. The three weeks prior to Christmas are notorious for a surge of lambs into processing plants, particularly in the North Island where farmers tend to wean through this period.

While not everyone can target the early months of the season due to lambing dates and climate conditions, the fact the market looks set to remain above \$6/kg through December will have positive benefits for those processing lambs through early 2018.

Store market will reflect positive slaughter prices

The store market mirrors the slaughter market tending to be stronger through November before store numbers start to really pick up and pressure prices lower.

25kg male store lambs in the North Island track at 45% of farmgate prices through November on average. Based on the Livestock Outlook forecasts of \$6.90/kg in November, a 25kg store lamb would be averaging \$3.10/kg or

\$77/hd. A 28kg store male lamb at 46% of schedule would be closer to \$89/hd based on the forecast farmgate prices through November.

In December the correlation eases back with the store prices only tracking at 44% of the farmgate price reflecting the market signals. Based on the forecast price of \$6.30/kg as a December average, a 32kg store male lamb has the potential to be worth \$2.75-\$2.80/kg or \$88-90/hd.

high lights

\$3.97-\$4.05/kg
28-31kg spring lambs sell well at Stortford

\$7.10-\$7.30/kg+
Lamb slaughter prices lift a little

+\$15-\$20
Lamb prices likely to be above last December's

LAMB SCHEDULE \$/KG
7.25

MUTTON SCHEDULE \$/KG
4.35

US FRENCH RACK US\$/LB
9.35

Slaughter sheep prices

\$/kg	+/-	NW	TW	Range	LM	LY
Lamb M 17kg	n/c	7.25	7.25	7.10 - 7.40	7.10	6.00
Lamb X 19kg	n/c	7.25	7.25	7.10 - 7.40	7.10	6.00
Mutton MX 20kg	+5	4.35	4.30	4.10 - 4.50	4.20	2.85

Slaughter values are gross operating prices in the NI including premiums

Store sheep prices - old season lambs (hoggets)

\$/kg	+/-	NW	TW	Range	LM	LY
Male 35kg	-5c	3.35	3.40	3.50 - 3.80	3.55	2.70
32kg	-5c	3.25	3.30	3.50 - 3.85	3.65	2.70
Ewe 32kg	-5c	3.25	3.30	3.50 - 3.85	3.65	2.70

Store values are average gross on-farm prices available on a line

Lamb export demand and procurement indicators

	+/-	TW	LW	LY	LM	LY	5-yr-ave
US F/Rack \$/lb	n/c	9.35	9.35	7.00	0%	+34%	+19%
UK Leg p/lb	n/c	2.25	2.25	1.88	+1%	+20%	+29%

Monthly Average Export Value (AEV)

	+/-	TW	LW	LY	LM	LY	5-yr-ave
NZ\$/kg	n/c	9.75	9.75	8.55	0%	+14%	+12%
AEV vs FOP	-5	2.50	2.55	2.55	-15	-5	-5

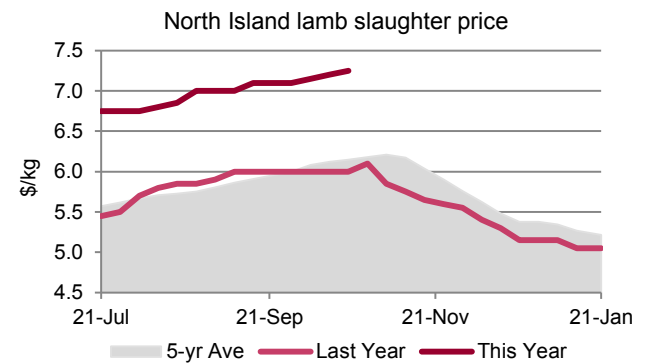
Procurement Indicator - Schedule as % of demand indicator (NZ\$/kg)

% Returned	+/-	TW	LW	LY	LM	LY	5-yr-ave
	+1%	74.4%	73.8%	70.2%	+1	+4	+3

Venison price

\$/kg	+/-	NW	TW	Range	LM	LY
AP Stag 60kg	n/c	9.70	9.70	9.70 - 9.70	9.70	8.70

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