



LIVESTOCK INSIGHT

Currency	TW	LW	LY
NZD:USD	0.660	0.659	0.678
NZD:GBP	0.506	0.503	0.536
NZD:EURO	0.594	0.593	0.592
NZD:AUD	0.959	0.956	0.953

↓ M2 BULL
\$/KG
5.95

↓ P2 STEER
\$/KG
5.90

↓ LAMB
\$/KG
8.35

↓ US IMP. 95CL
US\$/LB
2.50

↑ NZD:USD
0.660

VIEWPOINT

High farmgate returns & bewildering bureaucracy



Nicola Dennis

What a year 2019 has been. We started with record high lamb and mutton prices and it only got better from there. A tight lamb supply pushed up procurement pressure for lamb and was matched by a heated overseas market lifting the average lamb price for 2019 up to \$7.90/kg for the North Island and \$7.70/kg for the South Island. This was 20c/kg higher than the previous season.

Despite a constricted lamb crop, export volumes held up for most of the season due to higher lamb carcass weights. This was a double-edged sword, however, as heavier high-end cuts (such as French racks) were a challenge for exporters to place on the international markets later in the season. NZ exporters also struggled to service traditional markets as the Chinese market dominated our export offerings. This will be an ongoing concern in the coming year as declining ewe numbers mean that this season's export lamb slaughter is expected to drop by a further 100,000 head to 18.9

million.

Prime steer slaughter prices enjoyed a strong year with the average NZ slaughter price sitting at \$5.50/kg for the calendar year. This is 10c/kg above the previous season. Traditionally bred beef weaner calf prices settled down to a sustainable level which should secure ongoing prime steer margins.

This year was a rollercoaster ride for the bull industry. In March/April, the bull slaughter price was floundering at its lowest point in five years at \$4.85-\$4.90/kg. China's ferocious demand for manufacturing beef came out of nowhere and a short-but-aggressive arm wrestle with the traditional US grinding buyers meant that the bull price up to a record high of \$6.25-\$6.45/kg. Peak supply and a weakening Chinese grinding market mean the bull price is on its way back down.

While the bull slaughter price was volatile, the four-day old calf and the 100kg Friesian bull market was consistently

sluggish. Meanwhile yearling store bull prices were a continued moving target and the supply of two-year bulls was uncommonly low. The M. Bovis eradication program was the chief contributor to the dysfunctional store bull market and it remains an ongoing concern heading into the next year (next page).

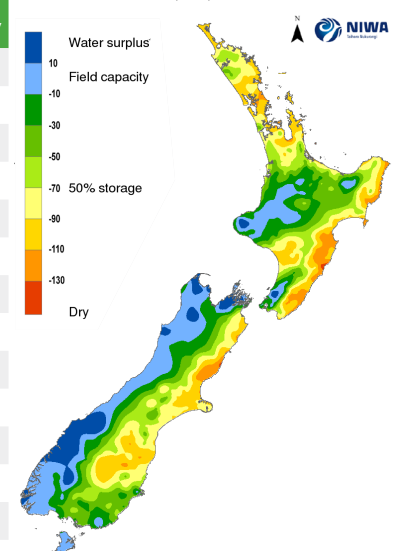
This year also had farmers and their advocates grumpy and office bound as they dug through government literature and prepared umpteen submissions. The onslaught of government policy revisions such as the zero-carbon bill, the billion trees programme, the winter grazing task force, the firearms law reform and the freshwater policy- had farmers struggling to catch their breath.

All and all, 2019 has been a big year. On behalf of AgriHQ and the wider GlobalHQ family, we want to thank you for your ongoing support and wish you a safe and happy festive season. The next Livestock Insight report will be on January 10.

WEATHER & FEED

*week to 9am Thur	Rainfall mm			Soil Temp °C, 9am, 10cm			Approx. Grass Growth kgDM/ha/Day, medium fertility		
	This Week	Last 4wks	vs. LY	This Week	Last 4wks	vs. LY	This Week	Last 4wks	vs. LY
Dargaville/Whanga.	33	47	V. Dry	20	20	Similar	25	41	-24
Pukekohe	45	71	Similar	19	19	Similar	48	69	+12
Hamilton	46	84	Dry	20	19	Warm	50	67	+8
Rotorua/Te Puke	48	83	V. Dry	19	19	Warm	54	65	+10
Te Kuiti	61	109	-	20	19	Similar	49	69	+9
Taumarunui	50	97	Similar	19	19	V. Warm	55	70	+20
Stratford	110	199	Similar	16	16	Similar	48	60	+3
Gisborne	7	22	V. Dry	20	21	Warm	26	27	-32
Napier/Hastings	21	29	V. Dry	19	18	Cold	8	22	-32
Waipawa/Takapau	28	36	V. Dry	18	17	Similar	18	24	-30
Dannevirke	28	51	Dry	18	17	Similar	36	54	-4
Palmerston Nth	35	85	Similar	18	17	Similar	55	64	+2
Masteron/Martinb.	25	43	V. Dry	18	17	Similar	32	49	+1

Soil moisture deficit (mm) at 9am on 19/12/2019



▶ CATTLE

Beef export returns decline

The export returns for manufacturing beef continue their decline this week. With China sitting out of the market for now and the NZD:USD exchange rate on the rise, the 95CL bull beef export return has dropped to NZ\$8.36/kg. A swift decline from recent levels, but still \$1.50/kg higher than this time last year.

Cattle slaughter indicators dropped 20c/kg across the board this week. Processors are signalling similar deductions heading into the New Year. This will push all cattle slaughter prices

below the \$6/kg level.

Fingers are crossed for good beef consumption over the Chinese New Year holidays to revive the Chinese beef markets that have been underpinning strong cattle schedules.

It would also be favourable if Santa could bring the drought-affected Australian cattle farmers some rain so they did not have to slaughter their cattle at an alarming rate. This would help boost demand for NZ beef.

Slow going for cattle trading

The wet weather and looming holidays have meant that there were not a lot of cattle sales taking place in the paddock. Would-be cattle sellers are growing confident that they will have enough grass for the next month or so, while would-be cattle buyers are still a little cagey about making any commitments.

The fight to find kill space is not helping either. With finished stock waiting on farm there is a hold up in purchasing replacements. Still, a few buyers were game to try to beat any rise in prices that the widespread rain might bring to the table.

There were some bargains to be found in the yearling bull market with 300-400kg bulls available for \$3/kg.

There are too few paddock sales taking place on yearling steers to make an accurate assessment of this sector of

the market. Declining beef schedules could provide some headwinds for the store market though. Traditional bred 350kg steers were \$3.45-\$3.60/kg at Feilding saleyard today.

The weaner bull market continues to flounder with the 150kg indicator easing to \$500 and the 100kg store bull calf dropping to \$440.

In the saleyards, the weaner dairy-beef calves fared better than expected. Hereford-Friesian steers 120-130kg made \$605-\$675 at the Taranaki Weaner fair. Small offerings of similar stock sold for \$580-612 at the Feilding sale and \$665 at the Frankton sale and \$600 at the Wellsford sale.

Weaner Hereford-Friesian heifers in the 110-120kg weight range sold for \$440-\$480 at Taranaki weaner sale, \$460 at Feilding, \$400-\$490 at Frankton and \$380 at Wellford.

Rate of M.bovis infections concerning

Last December there was a breakdown in the farm tracing that underpins the Mycoplasma Bovis (M. Bovis) eradication effort. By April, this had resulted in a backlog of some 1,400 properties that were blissfully unaware that they were at risk of having and spreading M. Bovis.

Turning our attention back to this December, the latest MPI statistics (updated 18 December) show that there have been 6,723 cattle culled and 59,332 cattle tested in December thus far. This is in keeping with the past couple of months and, hopefully, means that there are systems in place to prevent another alarming backlog of cases from forming.

The rate of newly identified M. Bovis farms is a concern. Over the September-November period, there were 10 farms per month added to the culling list. December has been quieter with only three infected properties identified so far.

Perhaps the lull in newly identified infected properties is a sign that the eradication team is closing in on the spread of infection. But, with a further 232 properties under movement control and 264 properties under "active surveillance" (to be tested, but free to trade cattle) it is far too early to make this call.

There are a number of complexities adding a headwind to the M. Bovis programme. One major concern is there is no way of establishing if trading stock are "safe" which means that cattle traders are flying blind with cattle purchases. This has led to some properties going through the M. Bovis culling process more than once after purchasing infected replacement stock. Adding to this, cattle plants are presently bursting at the seams with the peak flow of New Zealand's standard cattle kill and have limited kill space to process the "out of spec" M. Bovis cattle that come forward when an M. Bovis infected farm is culled.



+\$1.50/kg

3 farms

10/month

Bull beef export returns higher than last year

Added to the M. Bovis culling list in December

M. Bovis infections found Sept-Nov

P2 STEER SCHEDULE \$/KG
5.90

1YR STORE BULL \$/KG
3.10

US 95CL BULL US\$/LB
2.50

Slaughter cattle prices

\$/kg		+/-	NW	TW	Range	LM	LY
M2 Bull	300kg	-20	5.95	6.15	6.00 - 6.35	6.40	4.90
P2 Steer	300kg	-10	5.90	6.00	5.90 - 6.10	6.30	5.45
P2 Cow	230kg	-20	4.50	4.70	4.60 - 4.80	5.00	3.90
M Cow	200kg	-20	4.40	4.60	4.50 - 4.70	4.90	3.90
Local Trade	230kg	-20	5.60	5.80	5.80 - 6.00	6.10	5.40

Slaughter values are gross operating prices in the NI including premiums

Store cattle paddock prices

\$/kg		+/-	NW	TW	Range	LM	LY
Wnr Fr Bull	150kg	n/c	500	500	480 - 550	610	-
	100kg	n/c	440	440	380 - 450	520	480
1yr Fr Bull	350kg	n/c	3.10	3.10	3.00 - 3.30	3.25	2.85
	300kg	n/c	3.00	3.00	3.00 - 3.30	3.30	2.90
1yr Steer	350kg	n/c	3.70	3.70	3.60 - 4.00	3.90	3.50
	300kg	n/c	3.80	3.80	3.60 - 4.00	4.00	3.60
1yr Heifer	300kg	n/c	3.30	3.30	3.00 - 3.50	3.40	3.10
	280kg	n/c	3.40	3.40	3.00 - 3.50	3.50	3.20
2yr Fr Bull	500kg	n/c	3.20	3.20	3.00 - 3.30	3.20	2.80
	450kg	n/c	3.10	3.10	3.05 - 3.40	3.30	2.85
2yr Steer	500kg	n/c	3.20	3.20	3.00 - 3.50	3.40	3.20
	450kg	n/c	3.30	3.30	2.90 - 3.70	3.50	3.25
2yr Heifer	450kg	n/c	3.00	3.00	2.90 - 3.10	3.00	2.90
	380kg	n/c	3.10	3.10	2.90 - 3.40	3.10	3.00

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

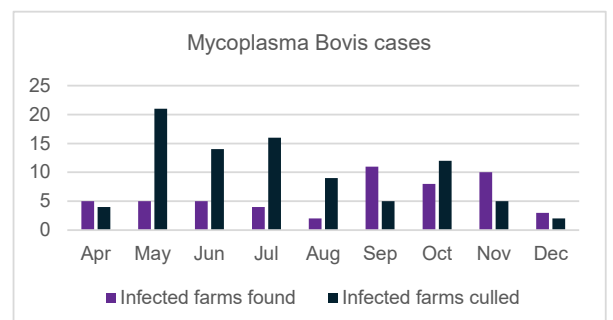
Beef export demand and procurement indicators

	+/-	TW	LW	LY	LM	LY	5yr-ave
US 90CL \$/lb	-10	2.30	2.40	1.96	-25%	+17%	+17%
US Dom Cow	n/c	2.38	2.38	1.98	-2%	+20%	+10%
US 95CL \$/lb	-20	2.50	2.70	2.11	-22%	+18%	+19%
NZ\$/kg	-67	8.36	9.03	6.86	-24%	+22%	+27%
Margin CIF-FOP	-47	2.21	2.68	1.96	-241	+25	+85

Procurement Indicator - Schedule as % of US 95CL price

% Returned	+3	73.6%	70.3%	71.4%	+16	+2	-6
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NW= Next week, TW = This week, LW = Last week, LY = Last year, LM = Last month



LAMB

Lamb slaughter margins hit the floor

Processors are left licking their wounds as lamb and mutton margins hit the floor. The Chinese government is putting pressure on Chinese importers to sell stored stock in order to reduce food retail prices. This means that very few of the Chinese orders that underpinned the strong lamb slaughter price are coming in.

The AgriHQ lamb slaughter indicator has dropped 20c/kg this week to \$8.55/kg. Processors are indicating a further

20c/kg drop heading into next week and further cuts for the week after that.

At this rate, it looks like the lamb slaughter price will be starting 2019 at the \$8/kg level.

However, if the lamb supply slows, then processors might have to reassess how swiftly they can devalue their lamb schedules. There has been good rainfall throughout the country which might stem the flow of finished lambs, particularly from the east coast.

Store lamb prices under pressure

The store lamb paddock price indicators have eased following deductions to slaughter pricing. The paddock price indicator for store male lambs (25-28kg) has dropped to \$3.70/kg this week. There is plenty of variability in pricing however with mixed-sex lines selling for as little as \$3.50/kg across the weights.

Shorn lambs can command another 10c/kg or so. There are not many shorn lambs around and with the wet weather holding up shearing, these could remain scarce for a while yet.

At Stortford Lodge sale the yarding was over 8000 head. Despite the heavy rain, prices were down \$6 or 20c/kg on

the previous sale. Whiteface male lines stuck to a \$3.60/kg price tag regardless of live weight. Blackface mixed sex lines ranged from \$3.72-\$4.00/kg with no discernible pattern to pricing. The lighter 24-25kg lambs made \$90.

All eyes were on the very large (17,000 head) yarding of lambs on offer at Feilding sale today. Selling a large supply of store lambs this close to the holidays could have been a nightmare, but good rainfall has boosted confidence in the Manawatu and prices were steady on last week's sale. The average sale lamb was 29kg selling for \$3.97/kg or \$114.

Growing reliance on frozen lamb markets

The export statistics show that 22,900t of NZ lamb was exported to the world markets in November. This is in keeping with last year's low volumes, but 77% of this volume was traded at frozen lamb (17,630t) which was 2% higher than last season and 4% higher than the five-year average.

This is a testament to the dominant Chinese markets where 97% of lamb volume is traded as frozen product. November lamb exports to China lifted by 1600t from last November to sit at 12,500t, or 54% of NZ's total November lamb export volume.

Total lamb exports to the UK market were even lower than last November's shocker, with only 2,900t shipped there. For comparison, the five-year average

for UK lamb exports in November is over 4,000t. On a positive note, volumes for the chilled portion of this offering (47%) were up slightly. Elsewhere in the EU, export volumes to Germany have lifted to 730t in total (76% frozen), while exports to France rose slightly with 550t of predominantly chilled product (85%) traded. Exports to the Netherlands had eased to 800t and 73% of the export volume was frozen.

Last November was a big season for lamb exports to the US. This time around total lamb export volumes have dropped back to 1700t which is around 200t less than the five-year average. The chilled proportion of these exports (46%) was 40t above the five-year average for November at 790t.

Frozen lamb prices underpinned strong schedules

Generally it is the higher value chilled lamb product that supports higher farmgate lamb pricing. However, the November export values show that the strong export returns for frozen lamb combined with the sheer volume of frozen exports supported the \$9/kg lamb slaughter values.

The average export return for frozen lamb for November was NZ\$10.89/kg which was 40c/kg higher than October, while the average export return for chilled lamb dropped by 25c/kg to

NZ\$15.76/kg.

Looking forward, the Chinese government is attempting to reduce food prices for the Chinese people, inducing a lot of anxiety for the importers that have been paying strong prices for frozen NZ lamb. This is likely to result in a price correction in the Chinese frozen lamb markets, but for now most traders are enjoying their holidays. We will have to wait until January to get a clear picture of the Chinese lamb export prices.



+10c/kg

Shorn store lambs command a premium

+2%

Higher proportion of lamb exports as frozen lamb

54%

November exports went to Chinese markets

LAMB SCHEDULE \$/KG 8.35

MALE STORE LAMB \$/KG 3.70

VENISON SCHEDULE \$/KG 8.50

Slaughter sheep prices

\$/kg	+/-	NW	TW	Range	LM	LY
Lamb M 17kg	-20	8.35	8.55	8.50 - 8.75	9.00	7.70
Lamb X 19kg	-20	8.35	8.55	8.50 - 8.75	9.00	7.70
Mutton MX 25kg	-15	5.95	6.10	6.00 - 6.15	6.20	4.90

Slaughter values are gross operating prices in the NI including premiums

Store lamb paddock prices

\$/kg	+/-	NW	TW	Range	LM	LY
Male 28kg	n/c	3.70	3.70	3.50 - 3.90	4.35	3.70
25kg	n/c	3.70	3.70	3.50 - 3.90	4.40	3.80
Ewe 28kg	n/c	3.50	3.50	3.50 - 3.80	4.35	3.70

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	10.30	10.30	10.70	-3%	-4%	+26%
UK Leg p/lb	n/c	2.58	2.58	2.11	0%	+22%	+32%

Monthly Average Export Value (AEV)

	+/-	NW	TW	LY	LM	LY	5-yr-ave
NZ\$/kg	n/c	11.00	11.00	10.60	-2%	+4%	+22%
AEV vs FOP	+20	2.45	2.25	2.90	+25	-45	-42

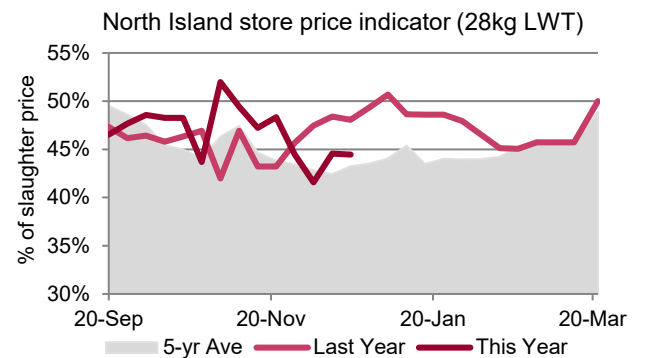
Procurement Indicator - Schedule as % of demand indicator (NZ\$/kg)

	+/-	NW	TW	LY	LM	LY	5-yr-ave
% Returned	-2%	77.7%	79.5%	72.6%	-2	+5	+10

Venison price

\$/kg	+/-	NW	TW	Range	LM	LY
AP Stag 60kg	n/c	8.50	8.50	8.40 - 8.60	9.00	10.30

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