

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 5.85	 P2 STEER \$/KG 5.85	 LAMB \$/KG 8.30	 US IMP. 95CL US\$/LB 2.50	 NZD:USD 0.66
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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.



Graham Johnson

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).

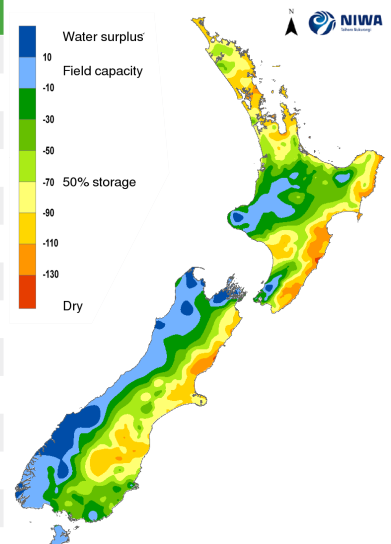
This year also had farmers and their advocates grumpy and office bound as they dug through government literature and prepared umpteen submissions. The onslaught of government policy revisions such as the zero-carbon bill, the billion trees programme, the winter grazing task force, the firearms law reform 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
Westport	62	196	Similar	16.9	16.9	Similar	45.7	50.9	-15
Nelson	106	144	Wet	17.5	17.6	Cold	54.3	62.4	+34
Blenheim	53	86	Similar	17.4	17.2	Similar	38.3	30.1	-3
Culverden	23	35	V. Dry	15.9	15.6	Similar	26.7	44.5	+5
Banks Pen.	42	44	Dry	14.7	15.1	Similar	34.3	57.6	+14
Timaru	24	53	Similar	16.2	16.3	Similar	49.3	58.0	+19
Tekapo/Omarama	15	112	Wet	13.6	13.7	Cold	47.2	47.6	-6
Oamaru	20	23	V. Dry	14.8	15.6	Similar	18.5	30.2	-9
Ranfurly/Alexandra	28	40	Similar	14.9	15.0	Similar	14.2	18.8	-38
Dunedin	35	67	Similar	14.6	14.5	Similar	40.1	49.3	-1
Lumsden	36	80	Dry	12.9	12.5	V. Cold	38.0	42.7	-8
Gore/Invercargill	21	66	Similar	13.7	13.5	Cold	40.8	48.1	-14

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. This is a swift decline from recent levels, but still \$1.50/kg higher than this time last year.

Prime schedule has edged just under the \$6.00/kg mark with the market indicator now sitting at \$5.95/kg, with some prices down to \$5.80/kg. As manufacturing beef prices are easing fast, the AgriHQ bull market indicator is at \$6.00/kg, although still above prime.

Cow prices have shown similar easing this week, back to about \$4.60/kg. However, with good rain felt by many, there will likely be less pressure to sell cows due to drying conditions.

Prices for prime cattle at the saleyards have eased back by 20c-30c/kg, following schedules downwards. This indicates that there is room to push schedule prices lower.

Looking ahead, cattle prices are likely to take a strong readjustment given the weakening international market.

With Christmas now less than a week away, cattle not booked in will likely be waiting at least a week into the New Year.



\$1.50/kg

Bull beef export returns higher than last year

\$300

Bargain prices for Friesian weaner bulls

10/month

M.bovis infections found Sept-Nov

P2 COW SCHEDULE \$/KG **4.45**

1YR STORE STEER \$/KG **3.50**

US 95CL BULL US\$/LB **2.50**

Slaughter cattle prices

\$/kg		+/-	NW	TW	Range	LM	LY
M2 Bull	300kg	-15	5.85	6.00	5.75 - 6.30	6.10	4.85
P2 Steer	300kg	-10	5.85	5.95	5.80 - 6.00	6.05	5.15
P2 Cow	230kg	-15	4.45	4.60	4.50 - 4.90	4.75	3.80
M Cow	200kg	-15	4.40	4.55	4.45 - 4.80	4.70	3.80
Local Trade	230kg	-10	5.85	5.95	5.90 - 6.10	6.05	5.20

Slaughter values are gross operating prices in the SI including premiums

Store cattle paddock prices

\$/kg		+/-	NW	TW	Range	LM	LY
Wnr Fr bull	100kg	n/c	350	350	300 - 420	420	
Wnr Beef x bull	100kg	n/c	480	480	420 - 520	520	
1yr Fr Bull	350kg	n/c	2.75	2.75	2.50 - 2.90	2.95	2.60
1yr Beef Str	350kg	n/c	3.50	3.50	3.40 - 3.70	3.70	3.55
1yr Beef/Fr Str	350kg	n/c	3.00	3.00	2.90 - 3.20	3.05	
1yr Beef Hfr	300kg	n/c	3.25	3.25	3.20 - 3.40	3.35	3.20
1yr Beef/Fr Hfr	300kg	n/c	2.80	2.80	2.70 - 3.10	2.90	
2yr Fr Bull	500kg	n/c	2.80	2.80	2.70 - 2.90	2.95	2.55
2yr Beef Str	500kg	n/c	3.15	3.15	3.10 - 3.35	3.35	3.10
2yr Beef/Fr Str	450kg	n/c	2.90	2.90	2.85 - 3.05	3.20	
2yr Beef Hfr	450kg	n/c	3.05	3.05	2.90 - 3.25	3.15	2.90
2yr Beef/Fr Hfr	420kg	n/c	2.85	2.85	2.70 - 2.95	3.05	

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	-57	2.36	2.93	2.01	-25%	+35	+70

Procurement Indicator - Schedule as % of US 95CL price

% Returned	+4	71.8%	67.6%	70.7%	+16	+1	-3
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NW= Next week, TW = This week, LW = Last week, LY = Last year, LM = Last month

Store market focused on weaners and yearlings

The store market is now mainly weaner cattle and yearling cattle.

Generally, the offering of store cattle this week has been much lower numbers and less desirable quality compared to last month.

Weaner calf prices have not changed much since last week and have found their level going into Christmas. Friesian bulls are showing a large variation in prices with price tags of \$300-\$420 depending on the quality of the calves and where they are being sold. At these prices, calf rearing margins will be under pressure which may deter some rearers from the industry next season.

Hereford-Friesian calves are faring better but these stock are still being

sold on a buyers' market. Hereford-Friesian bulls are holding steady with the market indicator at \$480 and their sisters commonly making \$400-\$450.

Yearling beef have mainly held their value as some look to sell before Christmas as saleyards won't be selling for the next couple of weeks. Although, quality is a big factor to the price achieved. Traditional yearling beef steers are now making about \$3.50/kg, as prices will be coming off from the spring flush and lowering schedule prices.

The majority of the two-year cattle that are still around are generally being taken to finishing with low numbers being traded.

Rate of M. Bovis infections concerning

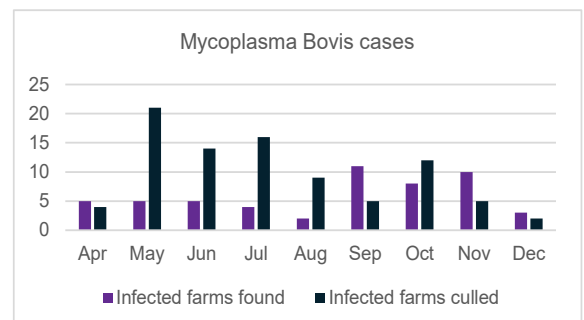
Last December there was a breakdown in the farm tracing that underpins the Mycoplasma Bovis (M. Bovis) eradication effort. By April, this had resulted in a backlog of some 1,400 properties that were blissfully unaware that they were at risk of having and spreading M. Bovis.

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.



► LAMB

Steep decline for lamb prices

Meat companies are taking an axe to lamb slaughter prices, with market indicator down to \$8.50/kg this week, with the range commonly \$8.40-\$8.60/kg. This is back 30c/kg on a week ago.

This is the result of increasing supply and the Chinese government putting pressure on Chinese importers to sell stored stock in order to reduce food retail prices. Chinese buying has been a very important factor in the strong schedule prices of recent times.

As a result of this we are likely to continue to have big price adjustments towards and into the New Year.

Mutton prices have also eased back this week to \$5.90/kg due to tight space and changing international market.

Those that do not have sheep booked in will most likely be waiting until the New Year to get space for stock.

Store lamb prices settles at \$3.80/kg

Store lambs continue to be the main selling point leading to Christmas. Store lamb prices have settled at about \$3.80/kg with the bulk selling in the \$3.70-\$4.00/kg range.

Many areas are reporting good weaning percentages, although some later lambing areas were hit with bad weather through lambing, resulting in fewer lambs for weaning for those areas.

The poorer spring conditions have resulted in many recording lambs a couple of kilograms lighter than usual,

but with the strong schedule and improved weaning percentage, this is more than making up for lower weights.

Action will kick off again in the New Year with more lambs for sale and ewe fairs starting in January.

At Temuka this week over 4000 store lambs were on offer with long term lamb interest increasing with the rain falling this week. Lambs at about 20kg were selling well, commonly making \$4.10-\$4.30/kg.

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.

high
lights

-30c/kg

Lamb slaughter indicator devalues this week

+2%

Higher proportion of lamb exports as frozen lamb

54%

November exports went to Chinese markets

LAMB SCHEDULE \$/KG

8.30

MALE STORE LAMB \$/KG

3.75

VENISON SCHEDULE \$/KG

8.50

Slaughter sheep prices							
\$/kg		+/-	NW	TW	Range	LM	LY
Lamb M	17kg	-20	8.30	8.50	8.40 - 8.70	9.00	7.45
Lamb X	19kg	-20	8.30	8.50	8.40 - 8.70	9.00	7.45
Mutton MX	20kg	-20	5.70	5.90	5.80 - 6.10	6.25	4.90

Slaughter values are gross operating prices in the SI including premiums

Store lamb paddock prices							
\$/kg		+/-	NW	TW	Range	LM	LY
Male	32kg	n/c	3.75	3.75	3.70 - 4.00	4.20	3.60
	28kg	n/c	3.80	3.80	3.70 - 4.10	4.40	3.80
Ewe	28kg	n/c	3.80	3.80	3.70 - 4.10	4.40	3.80

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

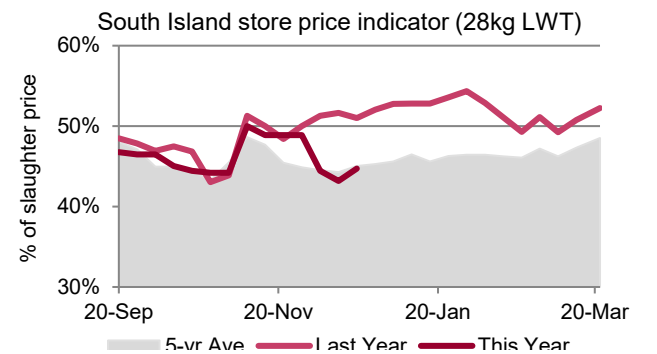
Lamb export demand and procurement indicators							
	+/-	TW	LW	LY	LM	LY	5yr-ave
US F/Rack \$/lb	n/c	10.30	10.30	10.70	-3%	-4%	+26%
UK Leg p/lb	n/c	2.58	2.58	2.11	0%	+22%	+32%

Monthly Average Export Value (AEV)							
	+/-	NW	LW	LY	LM	LY	5yr-ave
NZ\$/kg	n/c	11.00	11.00	10.60	-2%	+4%	+22%
AEV vs FOP	+30	2.50	2.20	3.15	+30	-65	-46

Procurement Indicator - Schedule as % of demand indicator (NZ\$/kg)							
	+/-	NW	LW	LY	LM	LY	5yr-ave
% Returned	-3%	77.3%	80.0%	70.3%	-3	+7	+10

Venison price							
\$/kg		+/-	NW	TW	Range	LM	LY
AP Stag	60kg	n/c	8.50	8.50	8.40 - 8.60	9.00	10.35

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