

Price gap between steers and heifers has fallen below 10%

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Traditionally, a farmer has been happy for their calving rate to fall in favour of steers, due to the widely accepted rule that steers are worth more than their sisters. The price differentiation between steers and unjoined heifers is a useful indication of the current state of the market. The price difference, or price gap, as measured between June 2015 and June 2020 on AuctionsPlus listings has on average sat at 10%. However, at times the price gap has exceeded or preceded this average as certain market conditions promote considerable price swings.

There are certain market factors and conditions that result in heifers reducing the gap between steers. The most common factor being the period of rebuilding the national herd which typically follows a significant or drought-breaking rain event. Supply is at an all-time low, but demand is extremely high for all stock categories as producers look to take advantage of feed and rebuild their operations. We are currently seeing these market conditions play out with the average price difference being 9% for the first half of the year with June currently tracking at 6%.

The AuctionsPlus Market Insights team have investigated data from 2015 to present to showcase previous periods when the price disparity between the categories has reduced. AuctionsPlus monthly cattle listings have been used to illustrate the effect of supply on prices and the price gap.

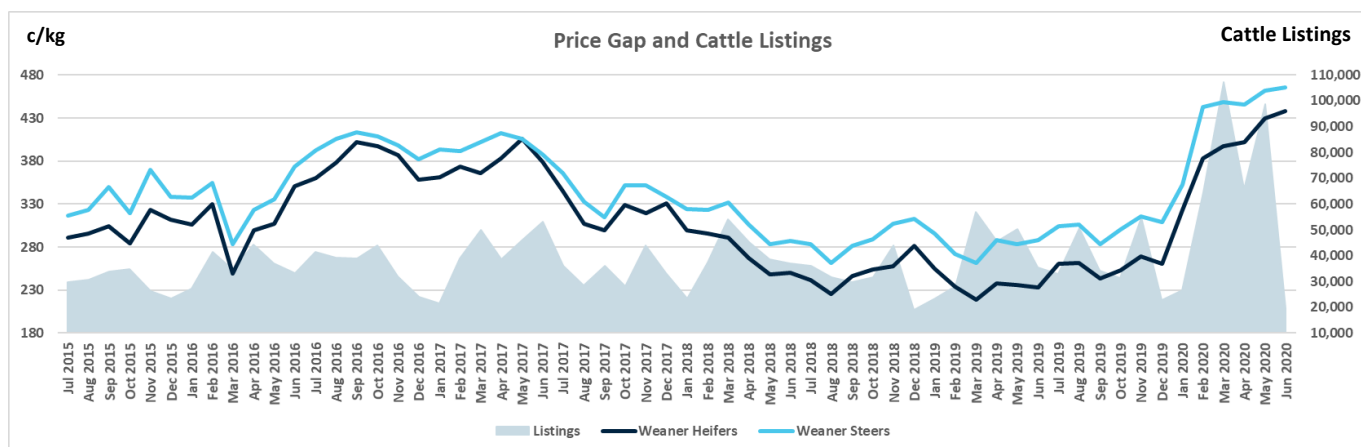


Figure 1: Price gap between steers and heifers with total monthly cattle listings

Generally speaking, steers trade at a considerable premium over heifers. This is due to feedlots willing to pay more for feeder weight steers as they have the capacity to reach slaughter weights faster than heifers. Steers require less feed and time to reach slaughter weights and will ultimately increase feedlot profitability allowing for the overall efficiency of the program to increase. As it costs more to feed heifers, the initial outlay price is typically significantly less.





The last period when heifers and steers were similar in price was during 2016 and 2017. The price gap averaged 6% for this period and in May 2017 the gap reached zero. This was a herd rebuilding phase after a period of prolonged drought. Strong rainfall in the Autumn of 2016 resulted in a surge of listings as demand to rebuild was strong. Prices for steers and heifers became similar as producers looked to pay premiums for breeding articles. The period from 2018 through to late last year saw the gap widen again, averaging 14% as listings fell, prices eased, and the drought sustained.

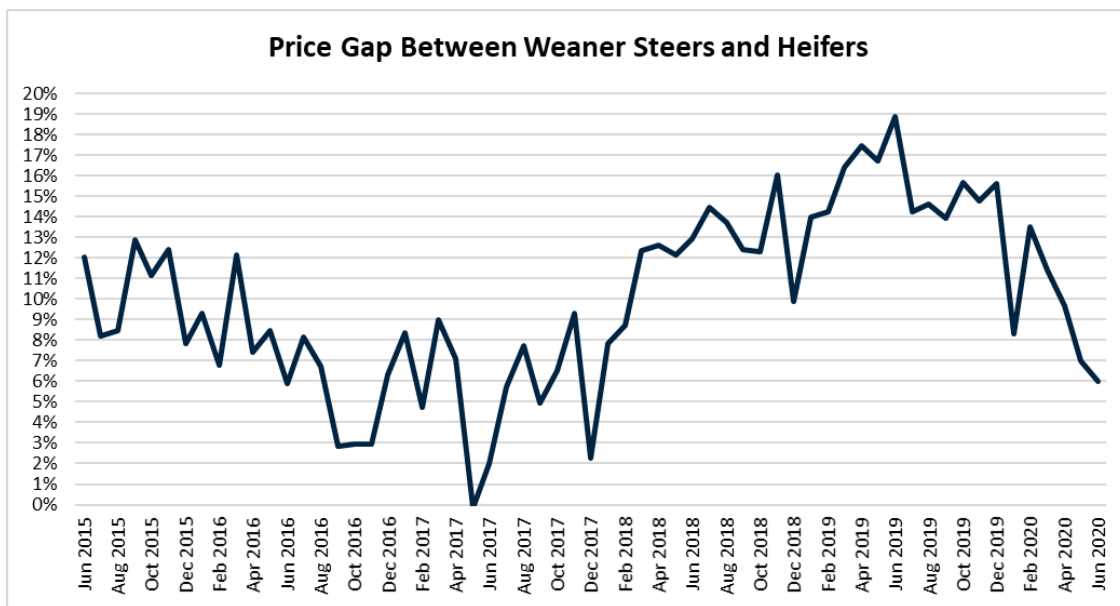


Figure 2: Price Gap between Steers and Heifers from June 2015 to June 2020

Currently, we are observing similar conditions to 2016/17 with the key difference being the larger listings experienced at present. The start of 2020 has seen widespread consistent rain, stimulating the market to surge. Listings have increased by over a 100% and prices have skyrocketed as producers look to fill empty paddocks.

The price gap between steers and heifers during the start of 2020 has again reduced as the value of all beef articles have risen. As shown in figure 2, February and March exceeded the 10% average, but this can be explained in the enormous numbers of cattle listed on the platform. In March alone, 107,311 head of cattle were listed, setting a new AuctionsPlus monthly listings record. Much of the listings were breeders as sellers looked to take advantage of a rapidly rising market, the over-supply of breeders caused the price disparity to ease.

Looking forward, it's anticipated that we will continue to observe a reduction in the price gap as the herd rebuild and producer restocking continues. As the uncertainty of COVID-19 begins to dissipate and more importantly a large portion of the Eastern States continues to receive rain, the question remains as to how small will the price gap be? Will it head back to zero like 2017 or could it even fall into the negatives where heifers trade at a premium over steers?

