

# AVERAGE PRICE RANGE REVIEW- VLE PAKENHAM & THE WESTERN DISTRICT

*Period Reviewed: July 2013 – June 2016*



VICTORIAN LIVESTOCK  
EXCHANGE

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## EXECUTIVE SUMMARY

This review examines whether vendors and stock agents were financially better off to sell prime cattle through the Victorian Livestock Exchange (VLE) Pakenham, than through the Western District (WD) saleyards of Ballarat, Camperdown, Colac and Warrnambool between July 2013 and June 2016.

The data used in the review was produced and supplied to VLE by Meat and Livestock Australia (MLA) through the National Livestock Reporting Service (NLRS). Average high price and average low price (C/kg) of the entire data population was used to define the average price range achieved for each saleyard during given time periods. The median of this range was used to calculate revenue, as the actual price for a year, or group of years, is not recorded by the NLRS. Stock agency commissions were calculated at a rate of 5%. The review takes into account a variety of factors in order to ensure the most accurate comparison and conclusion is drawn when evaluating the results of each saleyard.

From the data analysed, there is strong evidence to suggest that the cost of choosing to sell fat cattle through the WD saleyards instead of VLE Pakenham is measured in the millions of dollars for vendors and hundreds of thousands of dollars per annum for stock agencies.

This review estimates that vendors have foregone in excess of \$47m in revenue for the 3 year period, whilst stock agents have foregone roughly \$2.3m for the same period by selling cattle through Western District Saleyards as opposed to VLE Pakenham.

This review follows a comprehensive review named 'Average Price Range Review – VLE Pakenham & the Western District 2009 – 2013' which will be referred to within this review and is available upon request.



Wayne Osborne  
Chief Executive Officer  
Victorian Livestock Exchange

# VLE PAKENHAM vs WESTERN DISTRICT SALEYARDS

This section examines the average price range results for all cattle sold through VLE Pakenham and the WD saleyards irrespective of age, sex, fat or muscle score, or weight range from July 2013 to June 2016. For the purposes of this comparison the WD saleyards were grouped collectively.

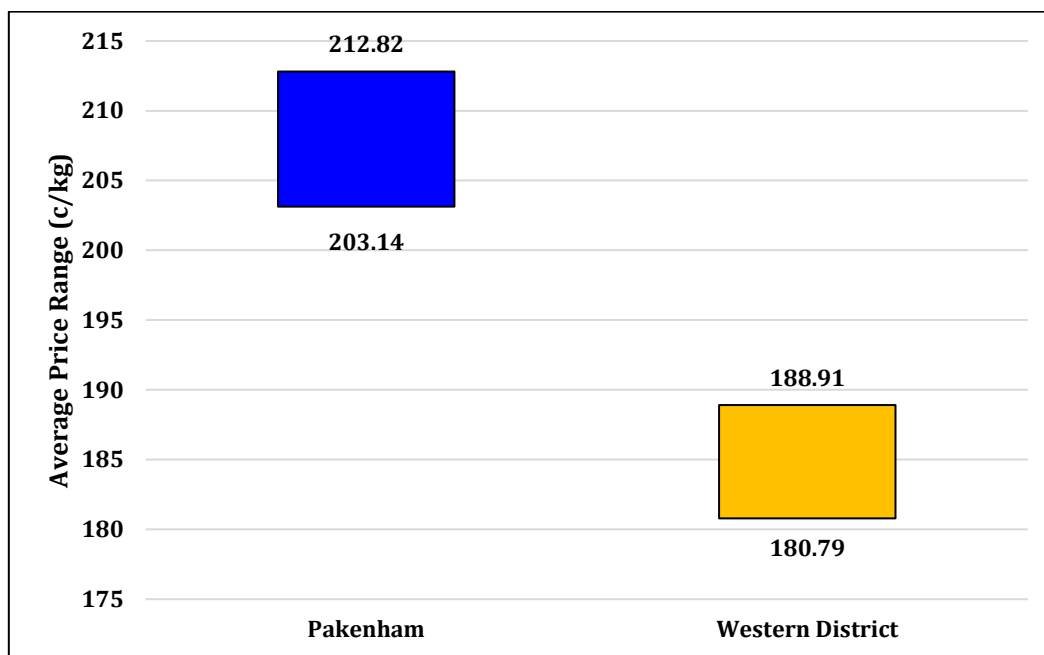


Figure 1: The average price range (the spread between the average low and average high price) received for all classes of fat cattle (irrespective of sex, age, weight, muscle score or fat score) sold at VLE Pakenham and WD saleyards between July 2013 and June 2016.

Table 1: The total number of fat cattle sold at VLE Pakenham and WD saleyards between July 2013 and June 2016.

Saleyard	Head No.
VLE Pakenham	230,711
Western District	423,660

From this overall comparison it appears that cattle sold at VLE Pakenham receive a much higher average price range than those sold in the Western District (Fig. 1).

The following sections will analyse a breakdown of factors which could potentially skew this result in favour of VLE Pakenham. This was done to exemplify confirmation or contradiction of this overall comparison.

## OVERALL MARKET POSITION

Before interpreting the comparison between VLE Pakenham and the WD saleyards it is worth assessing where both were positioned in relation to other major markets of South-Eastern Australia for the measured time period.

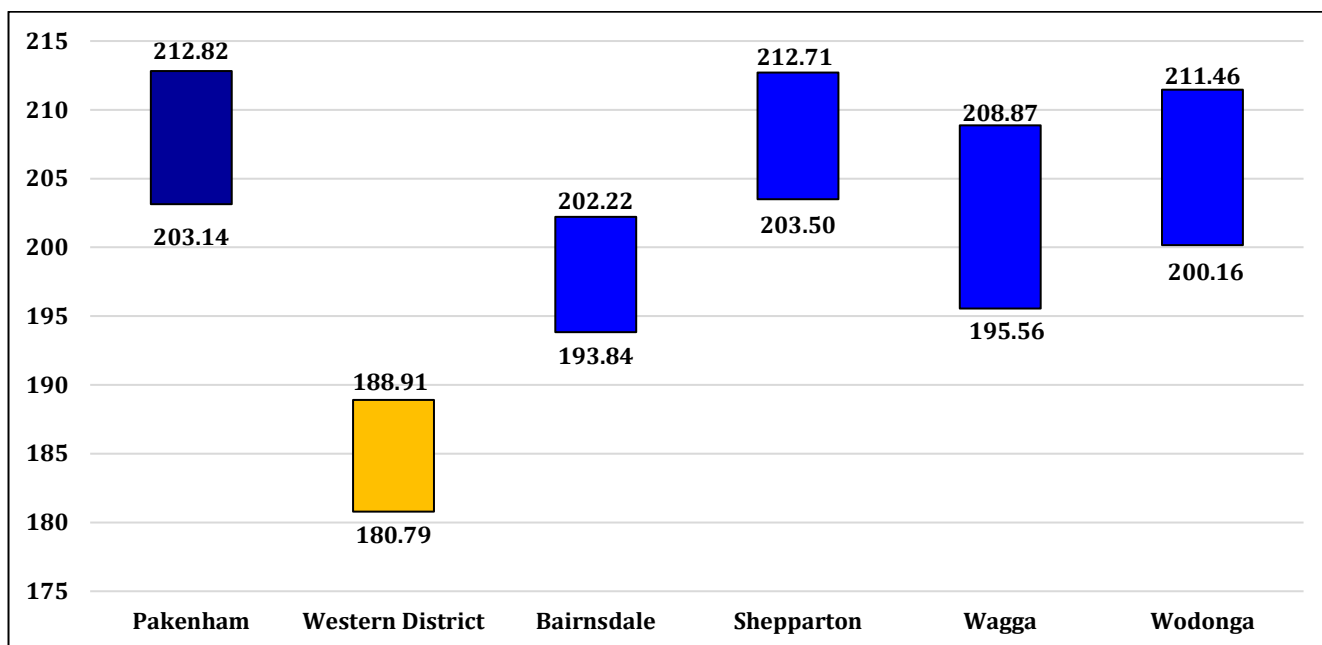


Figure 2: The average price range received for all classes of fat cattle sold at major SE Australian saleyard fat markets between July 2013 and June 2016.

Table 2: The total number of fat cattle sold at major SE Australian saleyards between July 2013 and June 2016.

Saleyard	Head No.
VLE Pakenham	230,711
Western District	423,660
Bairnsdale	109,843
Shepparton	260,268
Wagga Wagga	525,923
NVLX Wodonga	399,246
<b>Total</b>	<b>1,949,651</b>

It is clear that VLE Pakenham was within the upper range of the market position in SE Australia whereas saleyards in the WD produced results obviously below the market position between July 2013 and June 2016 (Fig. 2). Hence the initial comparison between VLE Pakenham and the WD is still represented across the market.

## THE EFFECT OF YEAR

The purpose of this comparison is to determine whether there was an abnormal year in terms of pricing experienced by the WD saleyards during the measured period which negatively impacted on the overall price and thus skewed results.

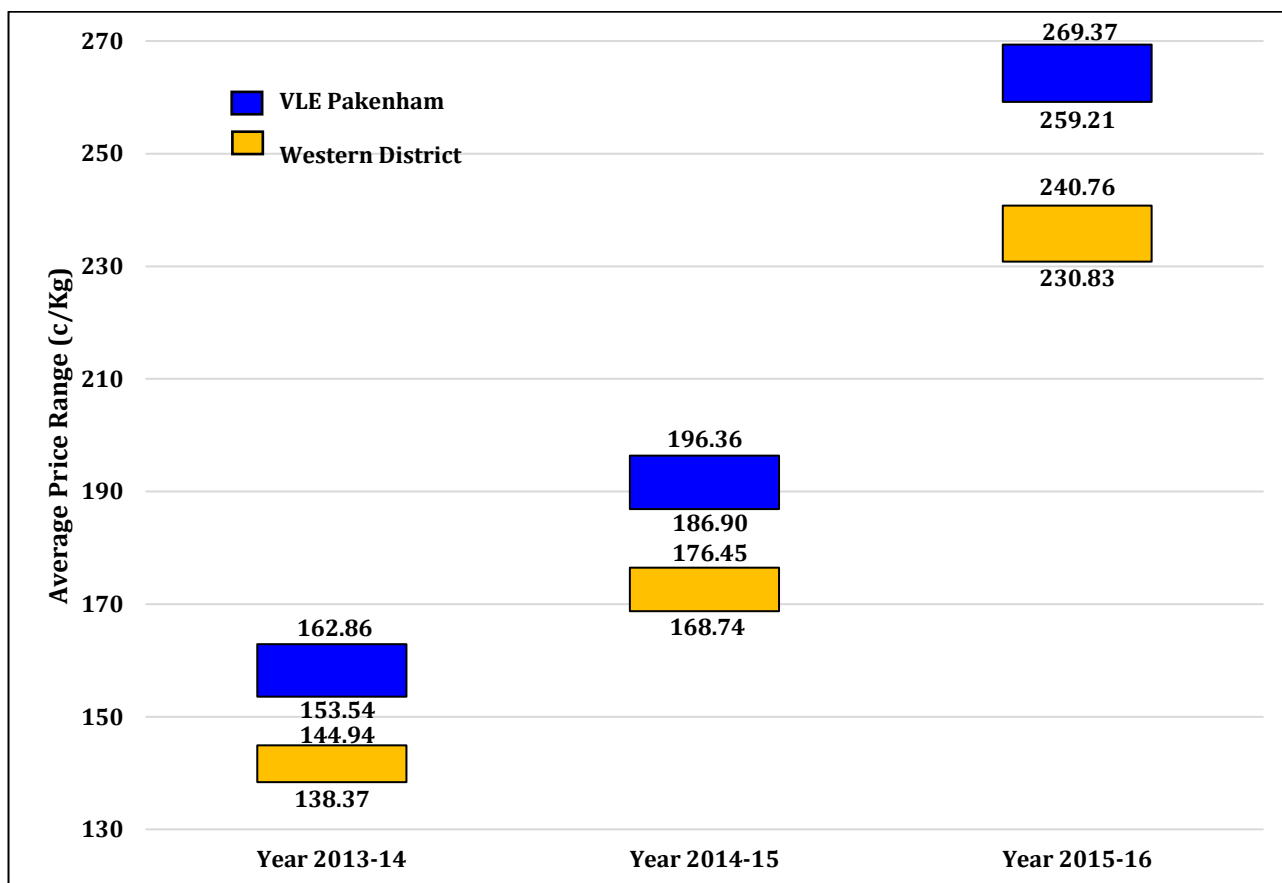


Figure 3: The average price range received for all classes of fat cattle sold at VLE Pakenham and WD saleyards on an annual basis.

Table 3: The total number of fat cattle sold at VLE Pakenham and the WD Saleyards on an annual basis

	Year		
	2013-14	2014-15	2015-16
<b>VLE Pakenham</b>	75,696	84,346	70,669
<b>Western District</b>	119,721	155,683	148,256

In each year analysed, the average price range for WD saleyards was below that of VLE Pakenham (Fig. 3). Similarly, a continuous portrayal of price ranges shows the relationship remained the same for every week during the measured period (Fig. 4).

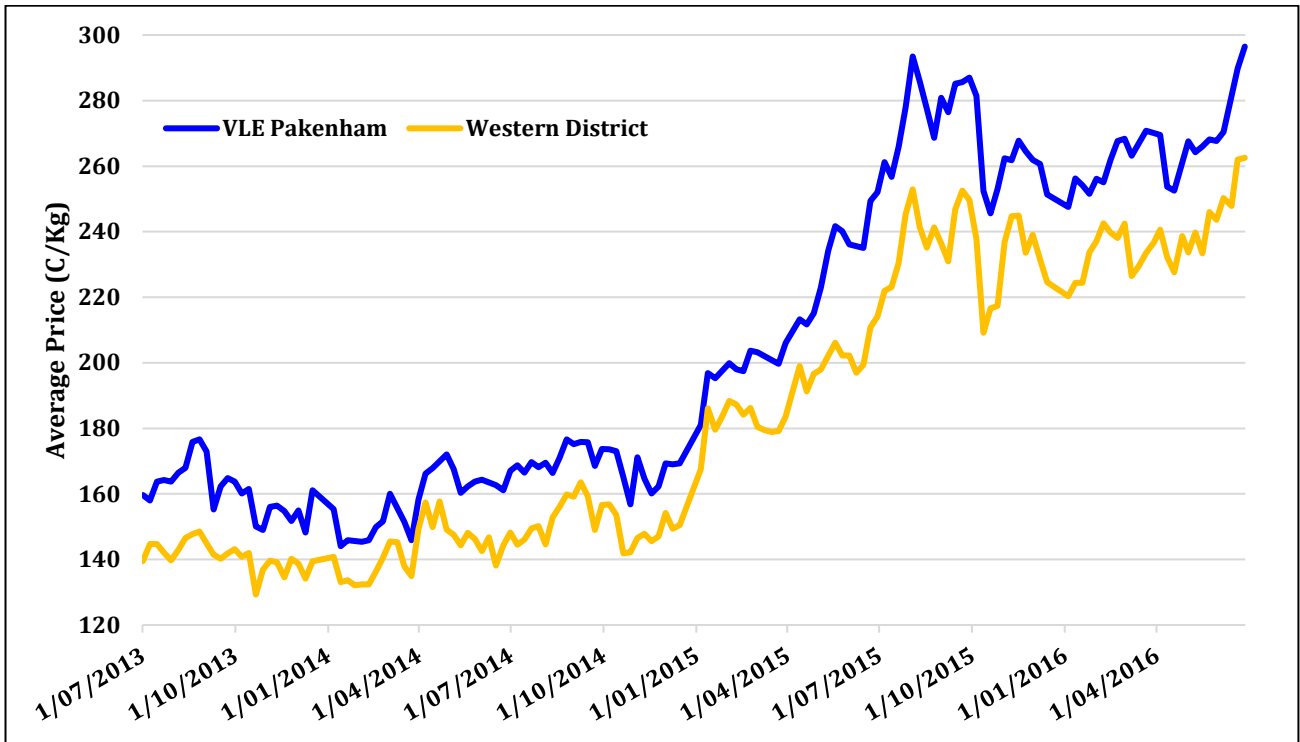


Figure 4: The week-by-week price average received for all classes of cattle sold at VLE Pakenham and WD saleyards.

Note: In the 2009 – 2013 review, which included the years 2009 – 2012 not examined in this review, the same outcome was seen – VLE Pakenham received consistently higher prices when compared to the WD. Review available upon request.

## THE EFFECT OF SALEYARD

This comparison is aimed to establish whether a particular saleyard or saleyards within the WD collective negatively impacted the overall price for the measured period.

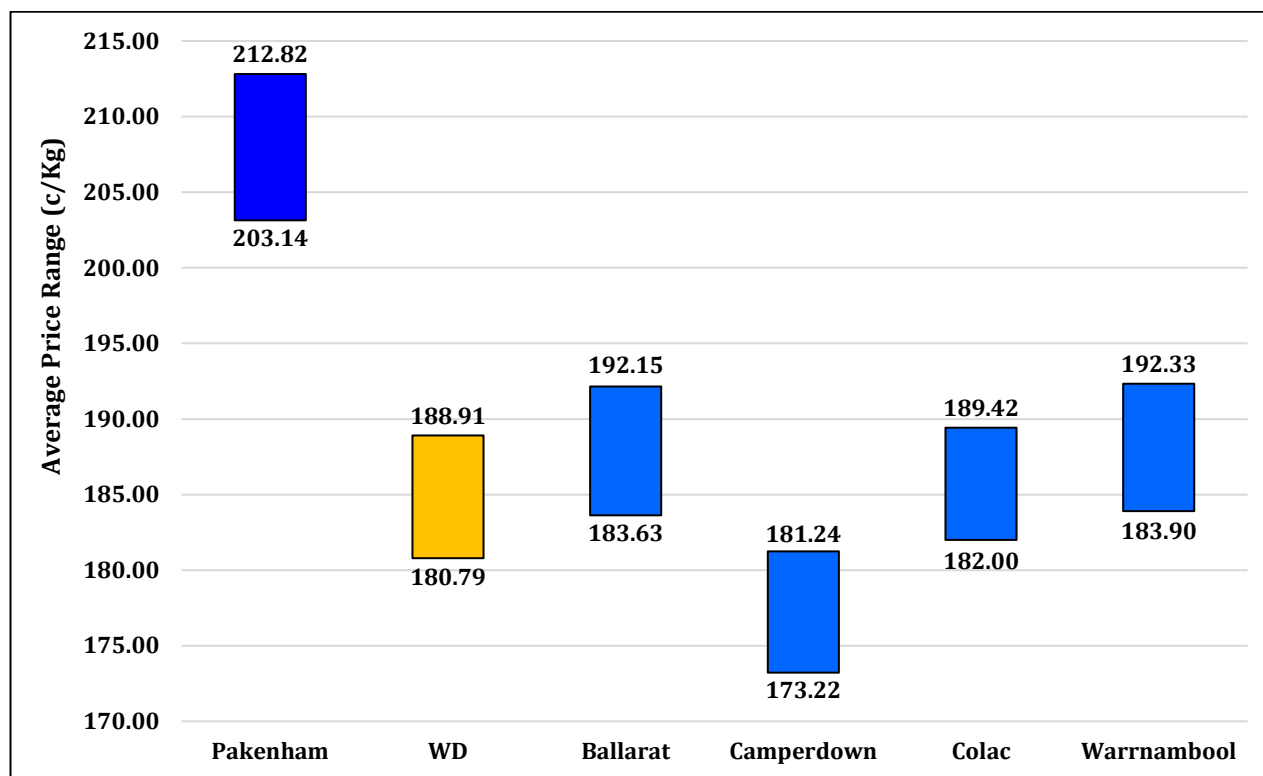


Figure 5: The average price range received for all classes of fat cattle sold at VLE Pakenham and individual WD saleyards between July 2013 and June 2016.

Table 4: The total number of fat cattle sold at VLE Pakenham and individual WD saleyards between July 2013 and June 2016.

Saleyard	Head No.
VLE Pakenham	230,711
Ballarat	60,707
Camperdown	123,886
Colac	66,838
Warrnambool	172,229
<b>Total</b>	<b>654,371</b>

The individual yard results for the Western District demonstrated a consistently lower price range than VLE Pakenham (Fig. 5) and thus the overall market position (Fig. 2). While Camperdown yards had a significantly lower price range than other WD yards, all WD yards were well below the VLE Pakenham position.



# THE EFFECT OF ANIMAL CLASS

The purpose of this comparison is to eliminate the possibility that VLE Pakenham sold a higher proportion of the more premium classes of cattle (which in turn receive superior prices) than WD saleyards.

Yearling steers were chosen for the analysis for 2 reasons:

- they were one of the classes with a higher population of data and therefore provided a greater accuracy of results;
- they are a class of animal less susceptible to the rigours of transportation when compared to other classes and therefore a more likely candidate for transport to VLE Pakenham for sale.

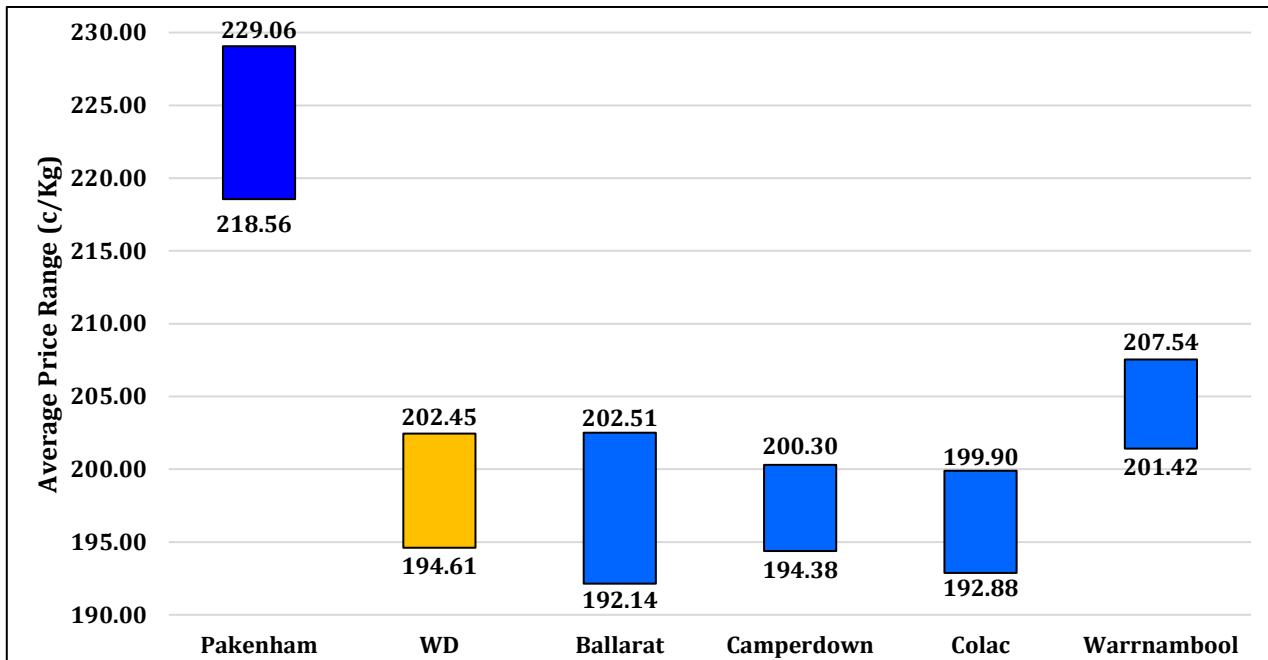


Figure 6: The average price range received for yearling steers sold at VLE Pakenham and WD Saleyards between July 2013 and June 2016.

Table 5: The total number of yearling steers sold at VLE Pakenham and individual WD saleyards between July 2013 and June 2016.

Saleyard	Head No.
VLE Pakenham	31,081
Ballarat	11,293
Camperdown	6,555
Colac	6,726
Warrnambool	8,360
<b>Total</b>	<b>64,015</b>

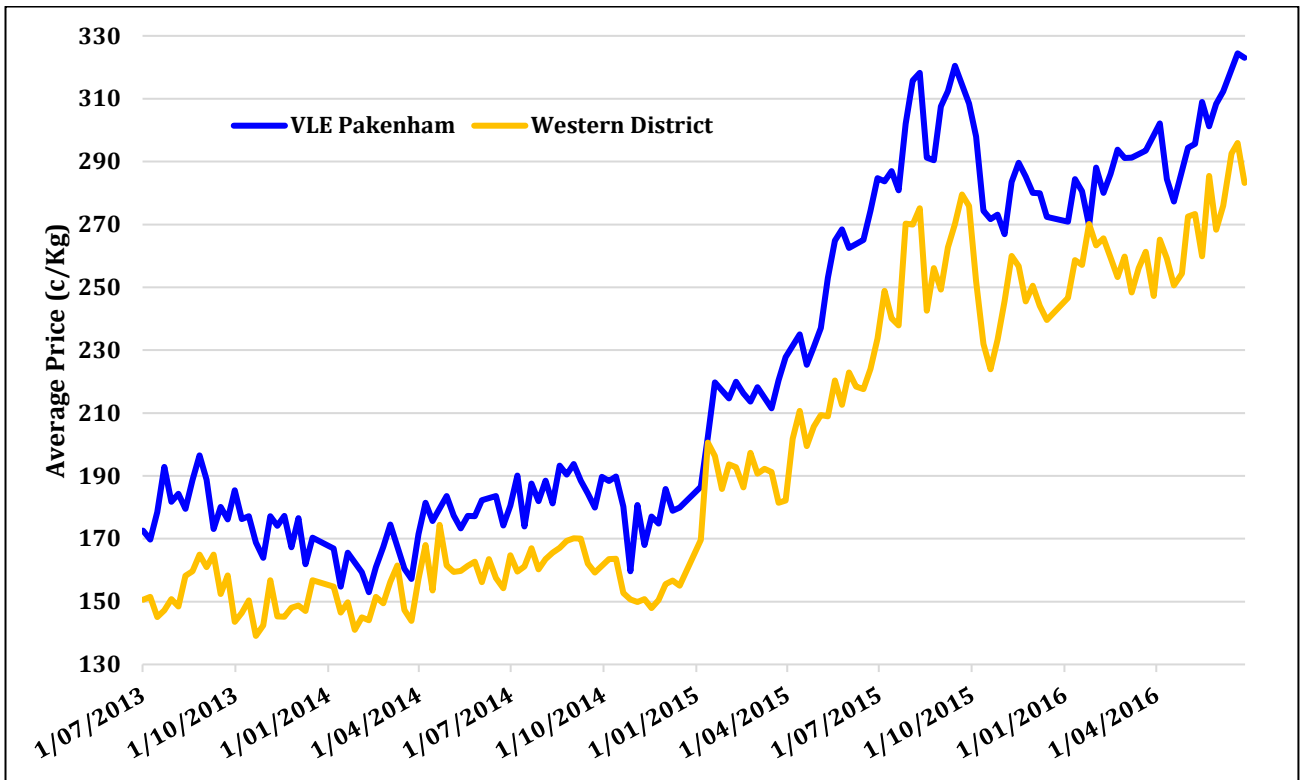


Figure 7: The week-by-week price average received for yearling steers sold at VLE Pakenham and WD saleyards between July 2013 and June 2016.

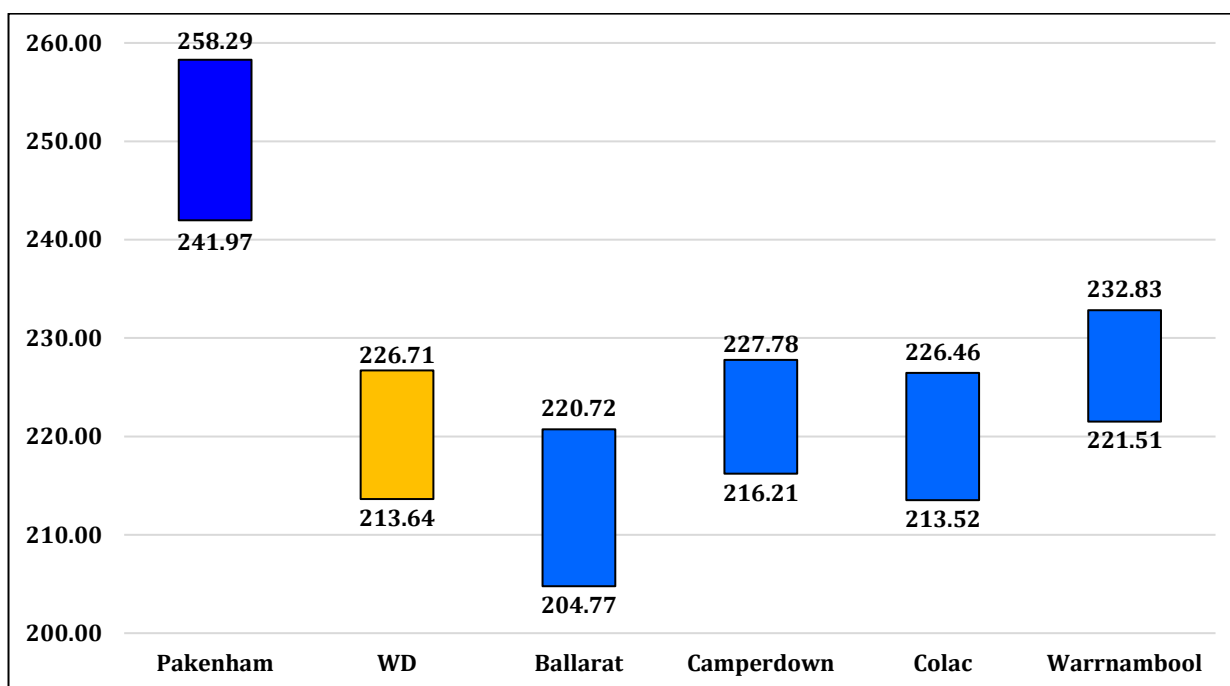
The relationship between the average price range (Fig. 6) and the continuous price average (Fig. 7) demonstrates that, akin to all classes of cattle combined (Fig. 1), yearling steers sold through VLE Pakenham received a higher price than those sold in the WD for the measured period.

Note: In the 2009 – 2013 review the categories for yearling heifers and grown steers were also assessed, with the same overall outcome – that cattle sold through VLE Pakenham received higher prices than those sold through WD Saleyards.

## THE EFFECT OF ANIMAL QUALITY

This section set out to confirm the previous (Effect of Animal Class) by examining whether the result was not adversely impacted by the quality of animals at each location. For this analysis the following specific categories were used:

- Yearling Steers
- Weight Range: 400kg +
- Muscle Score: C
- Fat Score: 3



*Figure 8: The average price range received for 400kg + C3 yearling steers sold at VLE Pakenham and WD Saleyards between July 2013 and June 2016.*

Consistent with the result for all yearling steers (Fig. 7), 400kg + C3 yearling steers sold through VLE Pakenham received a much higher average price range than those sold through WD saleyards (Fig. 8).

Note: In the 2009 – 2013 review the categories for C3 400kg + yearling heifers, C3 500 – 600kg grown steers and C4 600 – 750kg grown steers were also assessed, with the same overall outcome – that cattle sold through VLE Pakenham received higher prices than those sold through WD Saleyards. A summary for these categories for the current period (July 2013 – June 2016) can be seen on the following page.

*Table 6: The Median Price (c/Kg) for various classes of cattle at VLE Pakenham and WD Saleyards between July 2013 and June 2016*

	<b>VLE Pakenham</b>	<b>Ballarat</b>	<b>Camperdown</b>	<b>Colac</b>	<b>Warrnambool</b>
<b>Yearling Steers</b> C3 400+ Kg	250.13	212.75	222.00	219.99	227.17
<b>Yearling Heifers</b> C3 400+ Kg	244.73	206.26	212.94	213.37	217.70
<b>Grown Steers</b> C3 500 - 600 Kg	246.51	208.41	214.69	224.45	229.16
<b>Grown Steers</b> C3 600 - 750 Kg	240.58	209.46	209.70	228.65	229.08
<b>Grown Steers</b> C4 600 - 750 Kg	237.79	209.01	203.57	220.85	225.66

*Table 7: The difference in Median price (c/Kg) for WD Saleyards compared to VLE Pakenham from July 2013 to June 2016*

	<b>Ballarat</b>	<b>Camperdown</b>	<b>Colac</b>	<b>Warrnambool</b>
<b>Yearling Steers</b> C3 400+ Kg	37.38	28.13	30.14	22.96
<b>Yearling Heifers</b> C3 400+ Kg	38.46	31.78	31.35	27.03
<b>Grown Steers C3</b> 500 - 600 Kg	38.10	31.81	22.06	17.35
<b>Grown Steers C3</b> 600 - 750 Kg	31.12	30.88	11.93	11.50
<b>Grown Steers C4</b> 600 - 750 Kg	28.78	34.22	16.94	12.13

## THE EFFECT OF SELLING DAY

The final variable this review addressed was that of selling day, the day of the week in which a market occurs at each respective saleyard (Table 8).

*Table 8: The Selling Day for Major SE Australian Saleyards*

<b>SALEYARD</b>	<b>SELLING DAY</b>
<b>VLE Pakenham</b>	<b>Monday &amp; Tuesday</b>
Bairnsdale	Thursday
<b>Ballarat</b>	<b>Monday</b>
<b>Camperdown</b>	<b>Tuesday</b>
<b>Colac</b>	<b>Thursday</b>
Shepparton	Tuesday
Wagga Wagga	Monday
<b>Warrnambool</b>	<b>Wednesday</b>
Wodonga	Tuesday

It is widely known that processors prefer to purchase young cattle and bullocks early in the week.

Given this, it may in part explain the results for some cattle (namely bullocks and young cattle) sold through the Colac and Warrnambool saleyards. However, it should be noted that both Colac and Warrnambool's results are below Bairnsdale (Fig. 2 & 5), which has its selling day on Thursdays (Table 8). If selling day was the causal factor in the lower prices for Colac and Warrnambool respectively, the same would be expected for Bairnsdale but this was not the case.

There will be no effect of selling day when comparing VLE Pakenham to Ballarat saleyards and negligible, if any, influence when comparing to Camperdown saleyards.

## BREAKDOWN OF REVENUE & CONCLUSION

An estimation of the value of the income that has been forgone by vendors and the value of the commissions foregone by agencies as a result of having sold cattle through the saleyards of Ballarat, Camperdown, Colac and Warrnambool rather than VLE Pakenham can be made based on the data provided by MLA.

An estimation of the revenue gained at each individual WD saleyard (Table 9) can be made by taking the median value of the price range (\$/Kg) and an assumed average weight of 480kg per animal, multiplying these to arrive at a dollars per head value and then taking this number and multiplying it by the number of animals. By then multiplying by the assumed rate of 5%, commissions can be estimated.

*Table 9: Estimations of revenue and commissions received for cattle sold at WD Saleyards between July 2013 and June 2016.*

<b>Yard</b>	<b>Price \$/Kg</b>		<b>Weight (Kg)</b>		<b>\$ per Head</b>
Ballarat	1.879	X	480	=	<b>\$901.92</b>
Camperdown	1.772	X	480	=	<b>\$850.56</b>
Colac	1.857	X	480	=	<b>\$891.36</b>
Warrnambool	1.881	X	480	=	<b>\$902.88</b>

<b>Yard</b>	<b>\$ per Head</b>		<b>No. of Head</b>		<b>\$ per Yard</b>
Ballarat	<b>\$901.92</b>	X	60,707	=	<b>\$54,752,857</b>
Camperdown	<b>\$850.56</b>	X	123,886	=	<b>\$105,372,476</b>
Colac	<b>\$891.36</b>	X	66,838	=	<b>\$59,576,720</b>
Warrnambool	<b>\$902.88</b>	X	172,229	=	<b>\$155,502,120</b>
<b>Total</b>			<b>423,660</b>	<b>Total</b>	<b>\$375,204,173</b>

<b>Yard</b>	<b>\$ per Yard</b>		<b>Commission Rate</b>		<b>Value of Commissions</b>
Ballarat	<b>\$54,752,857</b>	X	0.05	=	\$2,737,643
Camperdown	<b>\$105,372,476</b>	X	0.05	=	\$5,268,624
Colac	<b>\$59,576,720</b>	X	0.05	=	\$2,978,836
Warrnambool	<b>\$155,502,120</b>	X	0.05	=	\$7,775,106
<b>Total</b>					<b>\$18,760,209</b>

By repeating the same calculation, but replacing the median value with that of VLE Pakenham's, it can be estimated what the revenue for vendors and the commission for agents would have been had the animals been sold through VLE Pakenham (Table 10).

Table 10: Estimations of revenue and commissions received for cattle sold at VLE Pakenham between July 2013 and June 2016.

Yard	Price \$/Kg		Weight (Kg)	=	\$ per Head
Pakenham	2.080	X	480	=	<b>\$998.40</b>

Yard	\$ per Head		No. of Head	=	\$ per Yard
Pakenham	<b>\$998.40</b>	X	<b>423,660</b>	=	<b>\$422,982,144</b>

Yard	\$ per Yard		Commission Rate	=	Value of Commissions
Pakenham	<b>\$422,982,144</b>	X	0.05	=	\$21,149,107

It is estimated that vendors have foregone in excess of **\$47m** over the last 3 financial years, whilst agencies have foregone in excess of **\$2.3m** over the same period.

While the different analyses throughout the review aimed to eliminate the possibility of a variety of factors potentially influencing the outcome of this result (year, saleyard, animal type, animal quality, selling day), it should be noted that this is only an estimation and does not account for the effect of these factors on the actual values. Nonetheless, it highlights that a very significant amount of revenue for vendors and commission for agents is being lost by choosing to sell through the yards of Ballarat, Camperdown, Colac and Warrnambool.

While consideration was not given to additional marketing costs (transport etc.) for vendors, as this is dependent on individual vendor circumstances, this review presents strong evidence that vendors and stock agents would have been financially better off selling cattle through VLE Pakenham than the WD saleyards of Ballarat, Camperdown, Colac and Warrnambool between July 2013 and June 2016. The review estimates that the cost of choosing to sell fat cattle through the WD saleyards instead of VLE Pakenham is measured in the millions of dollars per annum for vendors and hundreds of thousands of dollars per annum for stock agents.