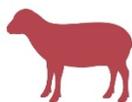
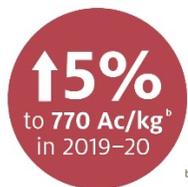


Sheep meat

Nathan Pitts



^b Australian weighted average saleyard price of lamb.

Sheep meat

Lamb prices to rise to historical highs due to strong saleyard competition.

Prices to rise to historical highs

Saleyard lamb prices in 2019–20 are forecast to rise due to increased competition between processors and restockers. Ongoing strong export demand for sheep meat will encourage processors to offer high prices in saleyards. In eastern Australia, restocker demand is expected to increase as flocks rebuilding begins. If this forecast is realised, it will be the highest price in real terms since 1973–74.

In 2019–20 sheep prices are forecast to increase due to strong Chinese demand for mutton. Prices will also face upward pressure as a result of reduced sheep numbers at Australian saleyards.

Flock rebuilding to reduce production

In 2019–20 sheep meat production is forecast to fall due to lower turn-off in the areas of eastern Australia that were affected by drought conditions during 2018–19. This reduction in national production is largely due to lower lamb turn-off, as a result of flock rebuilding and a smaller breeding flock. Mutton production is also forecast to fall because sheep slaughter in the eastern states is assumed to return to more normal levels.

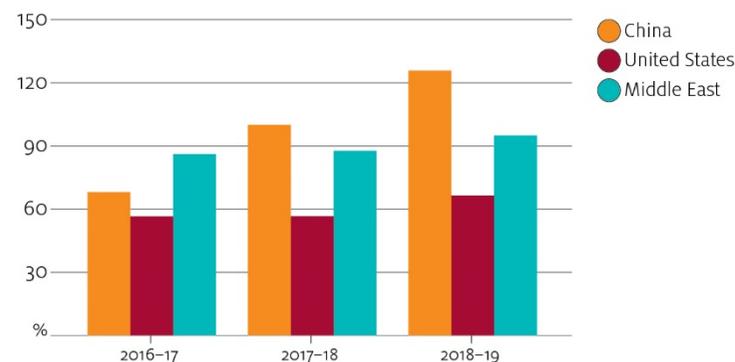
The national sheep flock is expected to increase as producers respond to the expectation of sustained high sheep meat and wool prices. However, flock rebuilding requires favourable seasonal conditions that will allow lambs to be promoted into the breeding flock.

Strong export demand to drive up export prices

Strong global demand and falling production in major sheep meat exporting countries is forecast to result in higher export prices. Demand is forecast to be very strong in China, the Middle East and the United States—Australia's largest export markets. In 2019–20 sheep meat export volumes are expected to decrease due to lower Australian production.

Live sheep exports are forecast to fall due to restrictions on exports during the northern summer. Export volumes will be determined by the Australian Government's ongoing reviews.

Australian sheep meat exports, by destination, July to April for 2016–17 to 2018–19



Notes: Middle East includes Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates and Yemen.

Source: Australian Bureau of Statistics

Opportunities and challenges

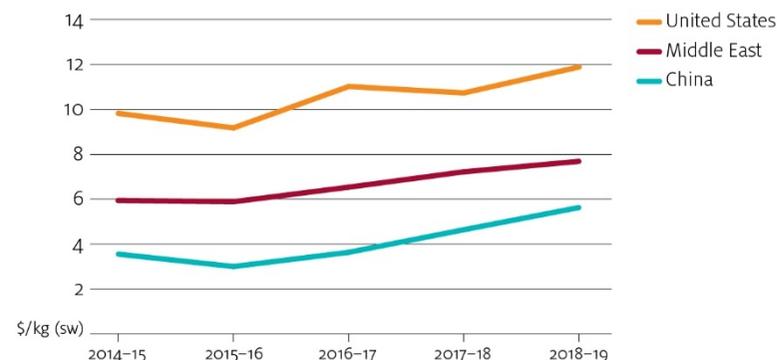
Uncertainty for exports to China

The outbreak of African swine fever in China is expected to have significant impacts on global protein markets. Although the magnitude is still uncertain, African swine fever will significantly reduce Chinese pig meat production and increase pig meat prices.

China is a major export market for Australian beef and sheep meat. However, any increases in Chinese imports of Australian sheep meat are expected to be modest. This is because most Australian sheep meat production is already exported at high prices to other markets. Chinese import prices would need to significantly increase to displace other high-value Australian export markets. Chinese consumers are more likely to replace pig meat with cheaper alternatives such as chicken and fish meat.

Food price inflation in China could erode consumer food purchasing power. The [importance of pork in Chinese diets](#) means that pig meat prices significantly influence inflation. In April 2019 pig meat prices showed a 12% year-on-year rise. This had a significant impact on overall food price inflation. If falling pig meat production continues to drive meat expenditure higher, consumers may substitute away from high-cost protein sources, including Australian sheep meat.

Export unit values for Australian sheep meat, major markets, 2014–15 to 2018–19a



a July 2018 to April 2019.

Note: Middle East includes Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates and Yemen.

Source: Australian Bureau of Statistics

Prices in major importing countries

Several major sheep meat importers have large flocks and use imports to supplement domestic production. This includes China, the European Union and the Middle East, who together consumed a third of Australian sheep meat production between 2015–16 and 2017–18. Ongoing high global sheep meat prices will provide producers incentives to increase sheep flocks, in both exporting and importing nations. Flock expansion in Australia's major export markets will increase the competition faced by Australian sheep meat. This presents downside risks to Australian saleyard prices.

Flock rebuilding costs influencing producer decisions

Australian producers are expected to expand flocks in 2019–20 to take advantage of ongoing favourable sheep meat and wool prices. However, seasonal conditions remained mixed across eastern

Australia to late May 2019, which will limit the ability to rebuild flocks. The costs of flock rebuilding are likely to be elevated by high prices for restocker sheep and lambs and supplementary feed. According to 2017–18 ABARES farm survey data, feed purchases accounted for 9% of the total costs for sheep specialists in south-eastern Australia. This is almost double the 5-year average to 2016–17. Higher than expected restocker or feed prices could result in sheep flock forecasts being revised downwards.



Australian Government
Department of Agriculture
ABARES

Outlook for sheep meat

Category	unit	2017–18	2018–19 s	2019–20 f	% change
Sheep numbers a	million	70.6	66.9	69.3	4.0
Slaughterings					
Lambs	'000	23,432	22,300	20,300	- 9.0
Sheep	'000	8,396	9,800	7,100	- 28.0
Production					
Sheep meat	kt (cw)	735	739	634	- 14.0
Exports					
Sheep meat	kt (sw)	457	470	395	- 16.0
value	\$m	3,282	3,610	3,100	- 14.0
Live sheep	'000	1,975	900	875	- 3.0
value	\$m	259	113	114	1.0
Prices					
Lambs b	c/kg (cw)	614	735	770	5.0
Sheep b	c/kg (cw)	419	430	455	6.0

a At 30 June. **b** Saleyard prices. **f** ABARES forecast. **s** ABARES estimate.

Sources: ABARES; Australian Bureau of Statistics; Meat & Livestock Australia