

Sheep meat

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Lamb prices to rise due to strong export demand and falling supplies in major exporting countries.

Saleyard lamb prices to rise

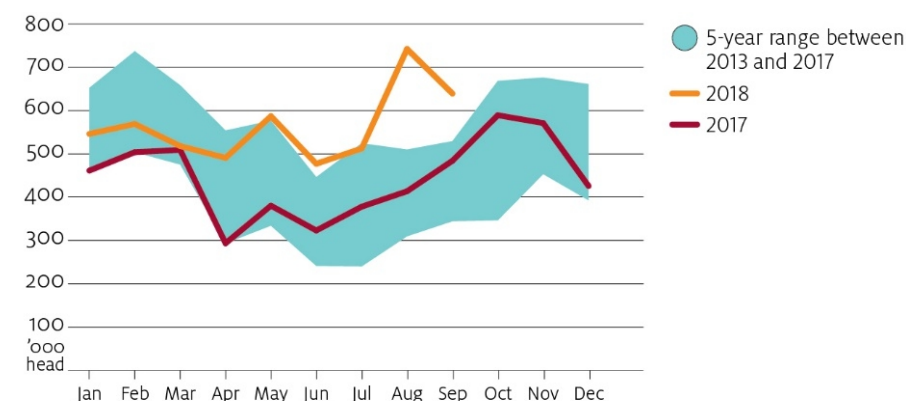
Australian lamb saleyard prices are forecast to increase due to tightening Australian supply and strong export demand. Poor seasonal conditions are expected to reduce the numbers of lambs available for slaughter in autumn 2019. This will further support saleyard prices late in 2018-19. Strong export demand and high global prices will provide processors with incentives to maintain throughput. Saleyard sheep prices are forecast to be constrained due to increased sheep slaughter.

Dry conditions to reduce Australian production

Australian lamb production is forecast to decline slightly due to poor seasonal conditions. Spring lambings are expected to fall due to limited pasture availability and high supplementary feed costs. However, high lamb prices will provide an incentive to maintain lamb production where possible.

The national sheep flock is forecast to fall due to higher sheep turn-off. If seasonal conditions improve, high lamb prices will provide producers with an incentive to accelerate herd rebuilding.

Sheep slaughter, eastern states, 2013 to 2018



Note: Includes New South Wales, Queensland, Tasmania and Victoria.

Source: Australian Bureau of Statistics

Strong global demand to support exports

Export prices are expected to increase because of strong global demand for lamb and tightening exportable supplies in Australia and New Zealand. The value of lamb exports is expected to increase due to rising incomes and consumer preferences, especially in China. Australian export volumes are forecast to increase slightly, driven by higher exports to China.

The future of Australian live sheep exports remains uncertain but is forecast to fall due to limited exports over the northern summer months (May to October). Over the 2018 northern summer, live sheep exports were minimal and largely constrained to airfreight. This trend is expected to continue during the 2019 northern summer. Exports are also expected to be constrained from June 2019 due to a voluntarily agreement by livestock exporters for a three month moratorium on live sheep exports to the Middle East.

Opportunities and challenges

High supplementary feed costs to constrain production

Lack of pasture across Australian livestock-producing regions has increased demand for feed grains. With prices high for most livestock products, producers have an economic incentive to use supplementary feed to maintain production. In 2018–19 feed prices are expected to remain high due to strong feed demand and low forecast Australian winter crop production. Imports are unlikely to put downward pressure on prices, because strict biosecurity requirements are likely to limit grain import volumes. High feed costs have affected sheep herd rebuilding and present further downside risks to lamb production and farm profitability.

Macroeconomic uncertainty

Escalating trade tensions between China and the United States represent a downside risk to Australia's two largest export markets for lamb. Global income growth is likely to be affected if trade tensions continue to escalate. This could reduce demand for high-value lamb cuts, particularly in China where consumption is generally more sensitive to changes in incomes. If this occurred, a lower Australian dollar could cushion the impact on the value of Australian lamb exports.

Uncertainty about live sheep exports to the Middle East

The Australian Government has supported the recommendations from two independent reviews into live exports. The ongoing review of the Australian Standards for the Export of Livestock and the ongoing heat stress risk assessment will inform potential changes to live export regulations. This will influence the profitability of live sheep exports.

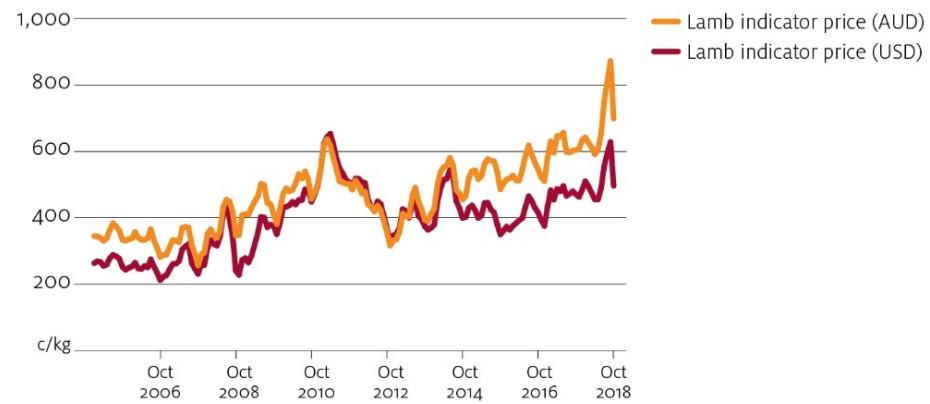
Between June and August 2019, livestock exporters have voluntarily agreed to a three month moratorium on live sheep exports to the Middle East. Reduced demand from livestock exporters during these months is expected to exert downward pressure on WA saleyard prices. Between 2013–14 and 2017–18, 23% of live sheep export volumes to the Middle East were sent between June and August.

The potential for further regulatory restrictions is a downside risk for saleyard prices in Western Australia. Restrictions on live exports are likely to lead to structural adjustment in the WA sheep and sheep meat processing industries. This is likely to include the retention of sheep for wool production, and an increase in lamb production for domestic processing.

Competition from other meats

The price of lamb relative to other meats has risen significantly, providing cost-conscious consumers with an incentive to substitute away from lamb. Global lamb prices are forecast to remain high, but prices of alternative meats such as beef and pork are expected to fall. This strong price competition presents downside risks to global lamb prices.

Lamb saleyard prices, January 2006 to October 2018



Source: Australian Bureau of Statistics, Meat & Livestock Australia



Outlook for sheep meat

Category	unit	2016–17	2017–18 s	2018–19 f	% change
Sheep numbers a	million	72.1	69.6	68.5	– 2.0
Slaughterings					
Lambs	'000	22,344	23,432	23,100	– 1.0
Sheep	'000	6,553	8,396	9,100	8.0
Production					
Sheep meat	kt (cw)	670	735	740	1.0
Exports					
Sheep meat	kt (sw)	390	457	460	1.0
value	\$m	2,653	3,283	3,532	8.0
Live sheep	'000	1,851	1,975	1,100	– 44.0
value	\$m	233	259	138	– 47.0
Prices					
Lambs b	c/kg (cw)	592	614	725	18.0
Sheep b	c/kg (cw)	415	419	430	3.0

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

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