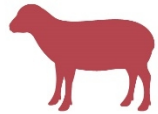


## Sheep meat



<sup>b</sup> Australian weighted average saleyard price of lamb.

### Sheep meat

Lamb prices to rise to historical highs due to strong saleyard competition and lower Australian supplies.

Nathan Pitts

### Prices to reach historic highs

In 2019-20 saleyard lamb prices are expected to increase due to strong export demand and lower supplies in eastern Australia. Prices throughout 2018-19 rose strongly because sustained high sheep turn-off reduced the number of lambs going through saleyards. In 2019-20 supplies are expected to fall further and this will increase prices from already high levels. Prices will also face upward pressure from strong export demand for sheep meat.

Saleyard sheep prices are also forecast to increase from historical highs. This significant increase is due to a combination of falling Australian mutton production and strong export demand.

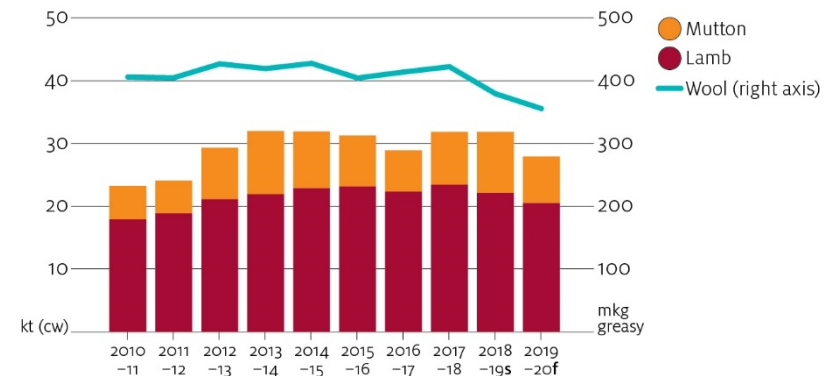
### Sheep flock to slowly rebuild from 100-year lows

In 2018-19 the sheep flock is estimated to have fallen to its lowest level since 1904-05 due to prolonged drought conditions and a longer-term trend in land use towards cropping. The flock has declined sharply despite high sheep meat and wool prices providing a strong incentive to build flocks. High prices are likely to continue in 2019-20. However, any expansion of the flock will be constrained by a small

breeding flock, the high cost of restocker animals and forecast dry conditions in spring.

In 2019-20 sheep meat production is forecast to decrease as production of both lamb and mutton fall. Lamb slaughter is forecast to fall due to fewer lambs being available for slaughter and, if seasonal conditions are favourable across eastern Australia, flock rebuilding. Sheep slaughter is also forecast to fall from drought-elevated levels as seasonal conditions improve.

### Australian sheep meat and wool production, 2010-11 to 2019-20<sup>f</sup>



<sup>f</sup> ABARES forecast. <sup>s</sup> ABARES estimate.

Sources: Australian Bureau of Statistics; Australian Wool Exchange

### Export demand to remain strong

Australian sheep meat exports are forecast to fall due to lower production. However, the proportion of sheep meat that is exported is expected to continue to increase. This is because demand is likely to remain high in all of Australia's major export markets and domestic consumers switch to alternative protein sources as prices increase.

New Zealand sheep meat production is [forecast to continue to fall](#). With Australia and New Zealand accounting for the majority of global sheep meat exports, falling production in these 2 countries will place upward pressure on global prices. As a result, Australian export values are forecast to fall by much less than export volumes.

Live sheep exports are forecast to fall from 2018–19. This assumes that seaborne live sheep exports will be restricted between 1 June 2019 and 22 September 2019. In July 2019 the Australian Government extended an existing [prohibition on live sheep exports to the Middle East](#) to include the period 1 September 2019 to 22 September 2019. In March 2019 live sheep exports were prohibited between June and August 2019.

There is little seasonality in Australia's live sheep exports. This did not change in 2018 as a result of restrictions on live sheep exports. Restrictions on seaborne exports ended in October 2018, and exports in November and December were comparable to other months unaffected by trade restrictions.

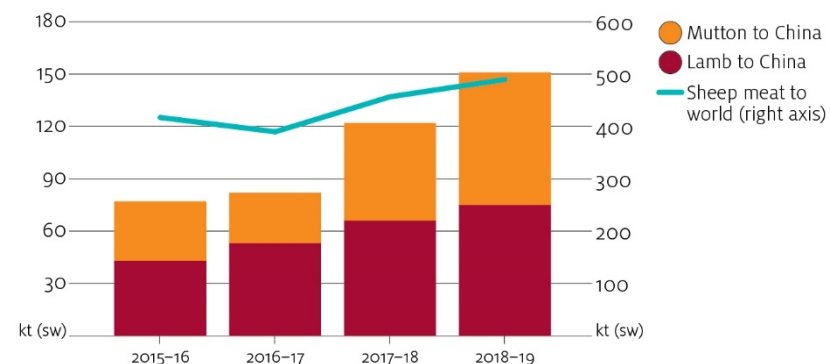
## Opportunities and challenges

### Chinese preferences for mutton

China is the world's largest consumer, importer and producer of sheep meat. Recently, Chinese consumption has grown faster than production. Chinese import demand has significantly increased Australian saleyard prices. However, exports to China have increased mostly due to a growth in exports of mutton rather than lamb. This trend is forecast to end sometime during 2019–20 as falling mutton production makes Australia's sheep meat exports to China more expensive.

Uncertainty surrounds China's willingness to pay for increasingly expensive mutton or to substitute towards higher-priced Australian lamb. [Risks to](#) Australian export values and saleyard prices include China's domestic sheep meat production, competition with New Zealand and the evolving preferences of affluent Chinese consumers for Australian sheep meat. [African swine fever](#) is likely to offer only minimal upside to Australian sheep meat exports to China. This is due to the high price of Australian sheep meat compared to lower cost fish and poultry meat.

### Australian exports to China and the world, 2015–16 to 2018–19



Source: Australian Bureau of Statistics

### Costliness of flock rebuilding

Australian producers are expected to expand flocks in 2019–20 to take advantage of ongoing favourable sheep meat and wool prices. However, seasonal conditions are expected to remain mixed across eastern Australia [in spring](#). This will limit the capacity of many farmers to rebuild flocks.

Grain prices are coming down, but the costs of flock rebuilding are likely to be elevated by high prices for restocker sheep and lambs. ABARES farm survey data showed that feed purchases accounted for 9% of the total costs for sheep specialists in south-eastern Australia in 2017–18. This was almost double the 5-year average to 2016–17. Between January 2019 and July 2019, Victorian restocker lamb prices increased by 17%. With high prices for restocker animals already constraining flock expansion, higher than expected prices present further downside risks to the sheep flock.



**Australian Government**  
**Department of Agriculture**  
**ABARES**

**Outlook for sheep meat**

<b>Category</b>	<b>unit</b>	<b>2017–18</b>	<b>2018–19 s</b>	<b>2019–20 f</b>	<b>% change</b>
<b>Australia</b>					
Sheep a	million	70.6	66.4	67.5	2.0
<b>Slaughterings</b>					
Lambs	'000	23,432	22,086	20,500	– 7.0
Sheep	'000	8,396	9,730	7,400	– 24.0
<b>Production</b>					
Sheep meat	kt (cw)	735	732	644	– 12.0
<b>Exports</b>					
Sheep meat	kt (sw)	457	490	401	– 18.0
value	\$m	3,282	3,873	3,497	– 10.0
Live sheep	'000	1,975	925	875	– 5.0
value	\$m	259	121	123	1.0
<b>Prices b</b>					
Lambs	c/kg (cw)	614	723	810	12.0
Sheep	c/kg (cw)	419	452	550	22.0

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

Sources: ABARES; ABS; MLA