Sheep meat

Conrad Rees

17% to 720 Ac/kg in 2018–19

Sheep meat
Lamb prices to rise, driven by strong export demand.

Saleyard prices to rise
Australian saleyard prices for lamb are expected to rise year-on-year due to strong export demand. Towards the end of 2018, any tightening in the availability of lambs could increase lamb prices further.

Widespread dry conditions are expected to increase the supply of mutton during 2018–19 as producers continue to turn off the older ewes that were accumulated for flock rebuilding during more favourable seasons. Strong export demand is expected to offset the downward pressure on prices from increased mutton supplies.

Sheep meat production to rise
Persistent dry conditions, particularly in New South Wales, are resulting in higher rates of lamb and sheep turn-off. This is to avoid high feed costs and help sustain the future productivity of pastures. As a result, Australian sheep meat production is expected to rise in 2018–19.

Rising turn-off due to drought conditions is expected to reduce the size of the Australian sheep flock in 2018–19. High sheep meat and wool prices are providing producers with an incentive to retain core breeding flocks and maintain lamb production.

Export demand to remain strong
Chinese income growth is expected to drive growing export demand for sheep meat. This is expected to outpace growth in local supplies and continue to support imports.

Growth in US demand for Australian sheep meat is expected to slow due to increased competition from local supplies and NZ imports. Demand in the Middle East is also expected to slow as consumers continue to substitute towards beef and chicken meat. Population growth is expected to continue to underpin demand for Australian sheep meat in these regions.

Live sheep exports to the Middle East over the northern summer remain uncertain. Exports are forecast to fall in 2018–19.

Lamb slaughter and prices, Australia, 2004–05 to 2018–19

ABARES Agricultural Commodities: September 2018
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Opportunities and challenges

Live sheep exports remain uncertain
The future of Australian live sheep exports to the Middle East remains uncertain. The Australian Government has accepted all 23 recommendations of the independent review of conditions for the export of sheep to the Middle East during the northern summer, subject to further testing and consultation. These recommendations are likely to lead to structural adjustment in the industry, including an increase in lamb production for domestic processing in the medium term.

It is not yet clear what effect the government’s overall response will have on the immediate profitability and volume of the live sheep trade. This presents a downside risk to Australian saleyard prices, particularly in Western Australia.

Australian drought conditions
Dry conditions affecting pasture growth in south-east Australia and high sheep meat prices are providing an incentive for producers to increase containment feeding. However, sheep meat producers are facing increasing competition for feed grains with the beef and dairy industries. Rising feed grain prices will place pressure on farm returns and may add to the long term trend of farm consolidation.

New Zealand
New Zealand is Australia’s main competitor in international markets. Over the decade to 2016–17, NZ exports have fallen as sheep producers exited the industry—many to establish dairy farms. The NZ sheep flock is beginning to stabilise. As a result, Australia is likely to face sustained competition from New Zealand in the high-value EU and Chinese markets.

Macroeconomic uncertainty
China’s demand for lamb is driven by changing consumer preferences, income growth and growing consumer confidence. Recent trade tensions between the United States and China—both large export markets for Australian sheep meat—pose a risk to consumer confidence in those countries. The Australian dollar is assumed to average US74 cents in 2018–19. If the dollar does not depreciate as expected, Australian sheep meat could become less competitive.

Value of Australian sheep exports, world, 2004–05 to 2018–19

ABARES Agricultural Commodities: September 2018
ABARES forecast.
### Outlook for sheep meat

<table>
<thead>
<tr>
<th>Category</th>
<th>unit</th>
<th>2016–17</th>
<th>2017–18 s</th>
<th>2018–19 f</th>
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<tr>
<td><strong>Sheep numbers</strong></td>
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<td>72.1</td>
<td>71.4</td>
<td>69.1</td>
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<td><strong>Slaughterings</strong></td>
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<tr>
<td>Sheep meat</td>
<td>kt (cw)</td>
<td>670</td>
<td>735</td>
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<td><strong>Exports</strong></td>
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<td>Live sheep</td>
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<td>Lambs b</td>
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**Notes:**
- a At 30 June.
- b Saleyard prices.
- f ABARES forecast.
- s ABARES estimate.

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