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Flock rebuilding driving sheep prices



"ABARES forecasts that lamb prices have a way to run yet"

LAMB and sheep prices will continue to rise, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) forecasts, and look likely to stay firm or rise even further out to 2018-19.

Flock rebuilding is underpinning buoyant pricing: ABARES estimates the flock will have dropped to 71.8 million head by June 2014, and will rebuild to 75 million head by the end of 2018-19.

After dropping to a national average of 330 cents a kilogram in 2012-13, lamb prices surged between November-January 2013-14 to an average 400c/kg as processors responded to strong export demand.

ABARES forecasts that lamb prices have a way to run yet, averaging 445c/kg over 2013-14 and moving up another eight per cent in 2014-15 to 480c/kg.

Continued growth in export demand - especially from the Middle East, and to a lesser extent China - should sustain prices about 450 c/kg out to 2018-19, even as lamb numbers grow.

An unwanted result of stronger lamb prices from export markets is a stalling of domestic consumption.

Australian consumption of lamb ticked upwards slightly in 2012-13, to 9.6 kg per person, as prices dropped, but a price resurgence might see about 300 grams eaten per person in the current financial year, with little change out to 2018-19.

Sheep prices will also rebound by 22pc in 2014-15 to 280c/kg, ABARE believes, reflecting demand for ewes as producers rebuild flocks.

That rise will also be sustained out to 2018-19, when adult sheep prices should reach 310c/kg (in 2013-14 terms).

Slaughter rates for lamb are expected to fall five per cent in the next financial year, but then steadily grow out to 2018-19.

By contrast, the adult sheep slaughter is forecast to fall, and continue to fall.

As the sheepmeat business has focused more on slaughtering young sheep, the adult sheep slaughter has steadily fallen over the past two decades.



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ABARES expects that trend to continue, with mutton production to fall to 166,000 tonnes in 2014-15, and to 145,000 tonnes by 2018-19.

That will affect mutton exports, which will sit at around 127,000t in 2014-15 but slide to 110,000t in 2018-19.

Live exports of sheep will plateau, ABARE forecasts. Tightening supply, and increasing competition for Middle Eastern markets from Africa will peg sheep live exports at about 1.75 million head a year out to 2018-19, a substantial reduction from the nearly six million shipped in 2002-03.

<http://www.farmonline.com.au/news/agriculture/sheep/meat/flock-rebuilding-driving-sheep-prices/2690564.aspx>