A joint initiative of

Making More From Sheep

# Lamb Production and Marketing

Making More From Sheep

A joint initiative of AWI Australian Wool Innovation Limited, MLA Meat & Livestock Australia

## Northern NSW White Suffolk Breeders

# Lamb Production and Marketing


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# Making More from Sheep

- Making More from Sheep is a joint AWI and MLA Initiative
- The program provides a best practice package of information and tools to assist with increasing profitability on-farm
- The MMfS modules, tools and manual can be viewed and downloaded from http://www.makingmorefromsheep.com.au

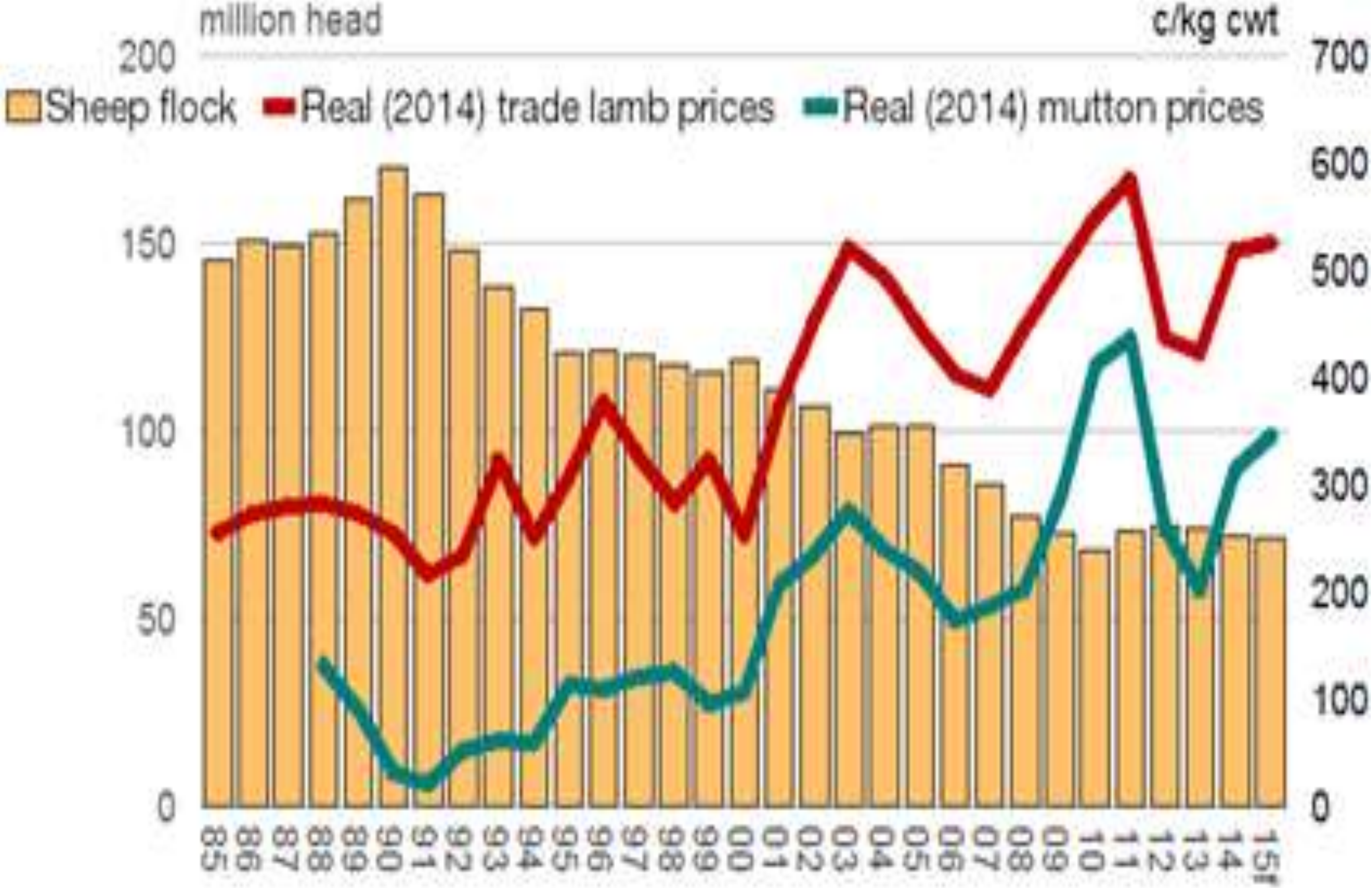
# Making More from Sheep

- The MMfS Program consists of 11 modules covering such subjects as
  - Market focused wool/meat production
  - Wean more Lambs
  - Animal health,
  - Genetics,
  - Pastures and
  - Farm sustainability.

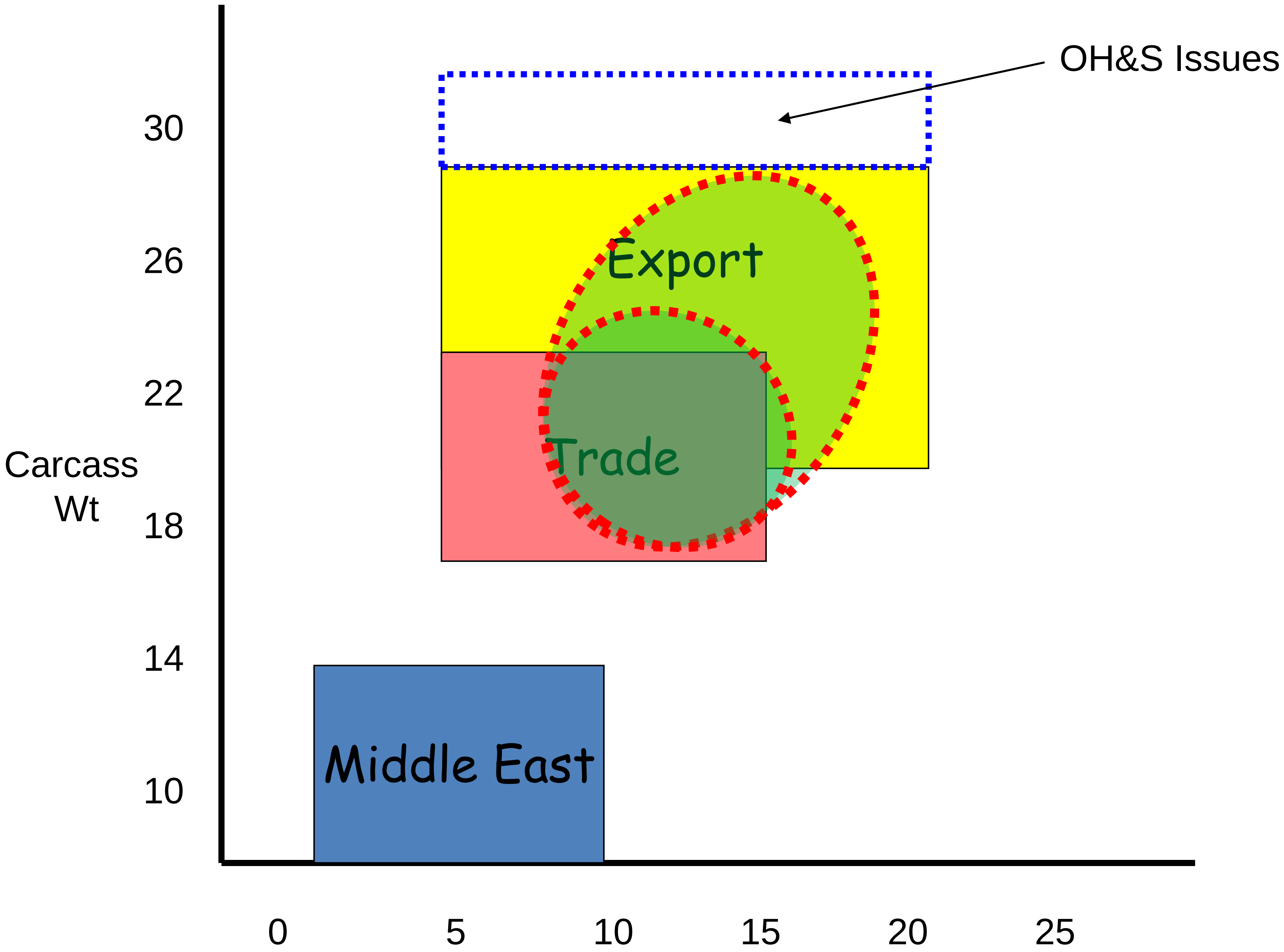
# Sheep Meat Markets

# A variety of breeds have been introduced into Australia since the 1980's

- Changes in wool industry demand and profit
- To cater for live sheep market demand
- To improve prime lamb production and marketing systems
- To offer producers alternatives to traditional wool or lamb production systems

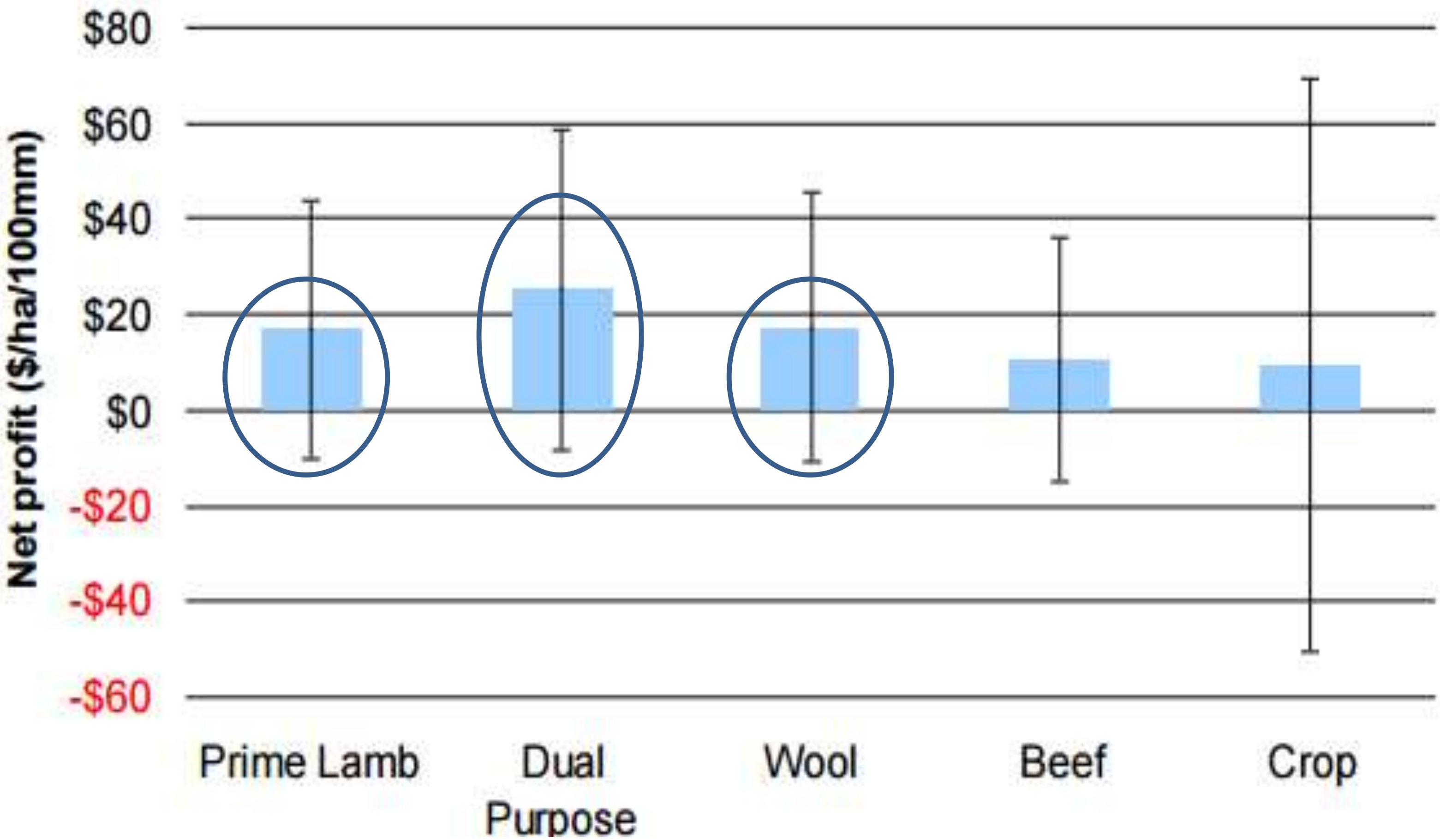


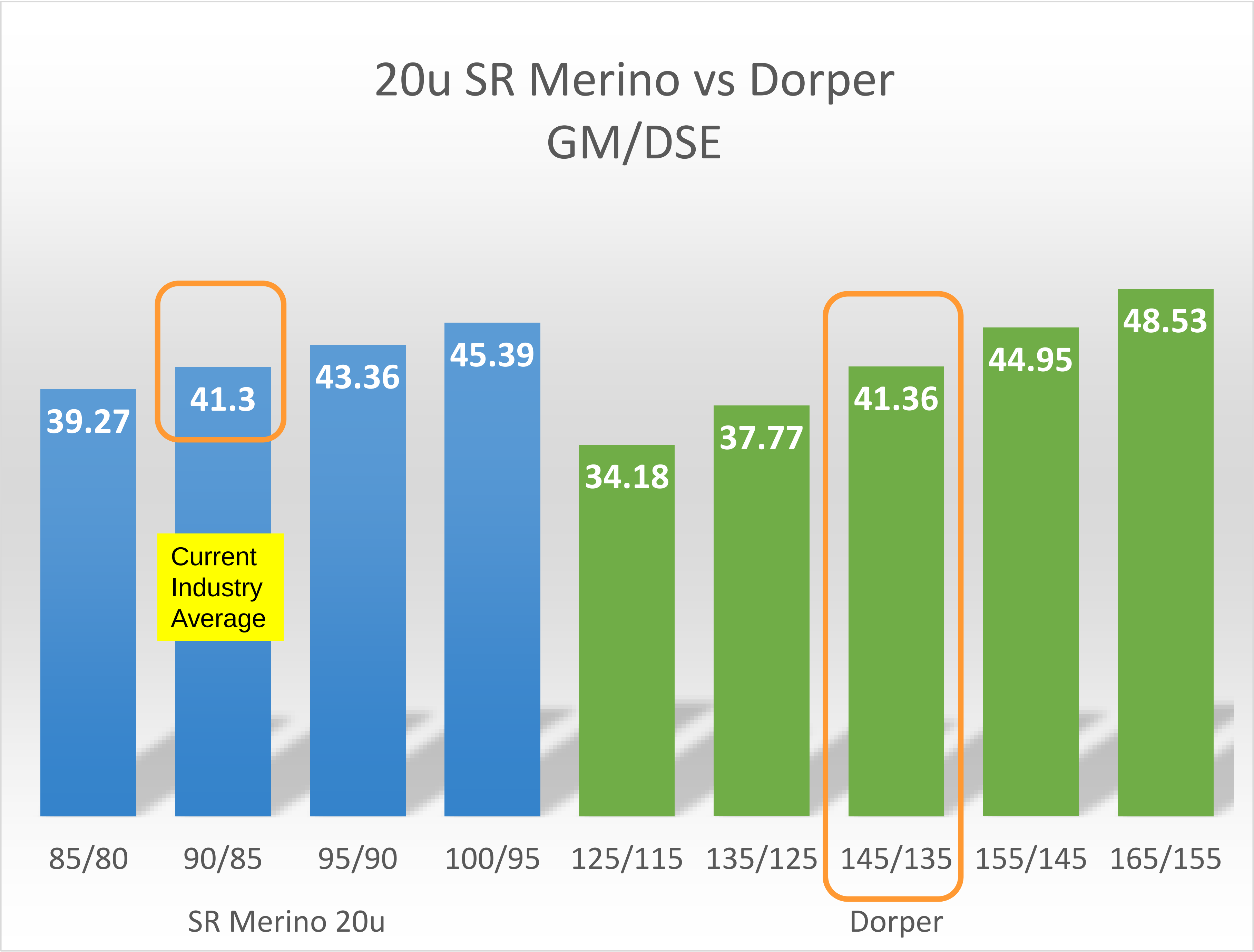
Source: ABS, ABARES, MLA's NLRS


OH&S Issues
30
26
22
Carcass
Wt
18
14
10
Export
Trade
Middle East
0
5
10
15
20
25

# Net Profit/100mm rainfall

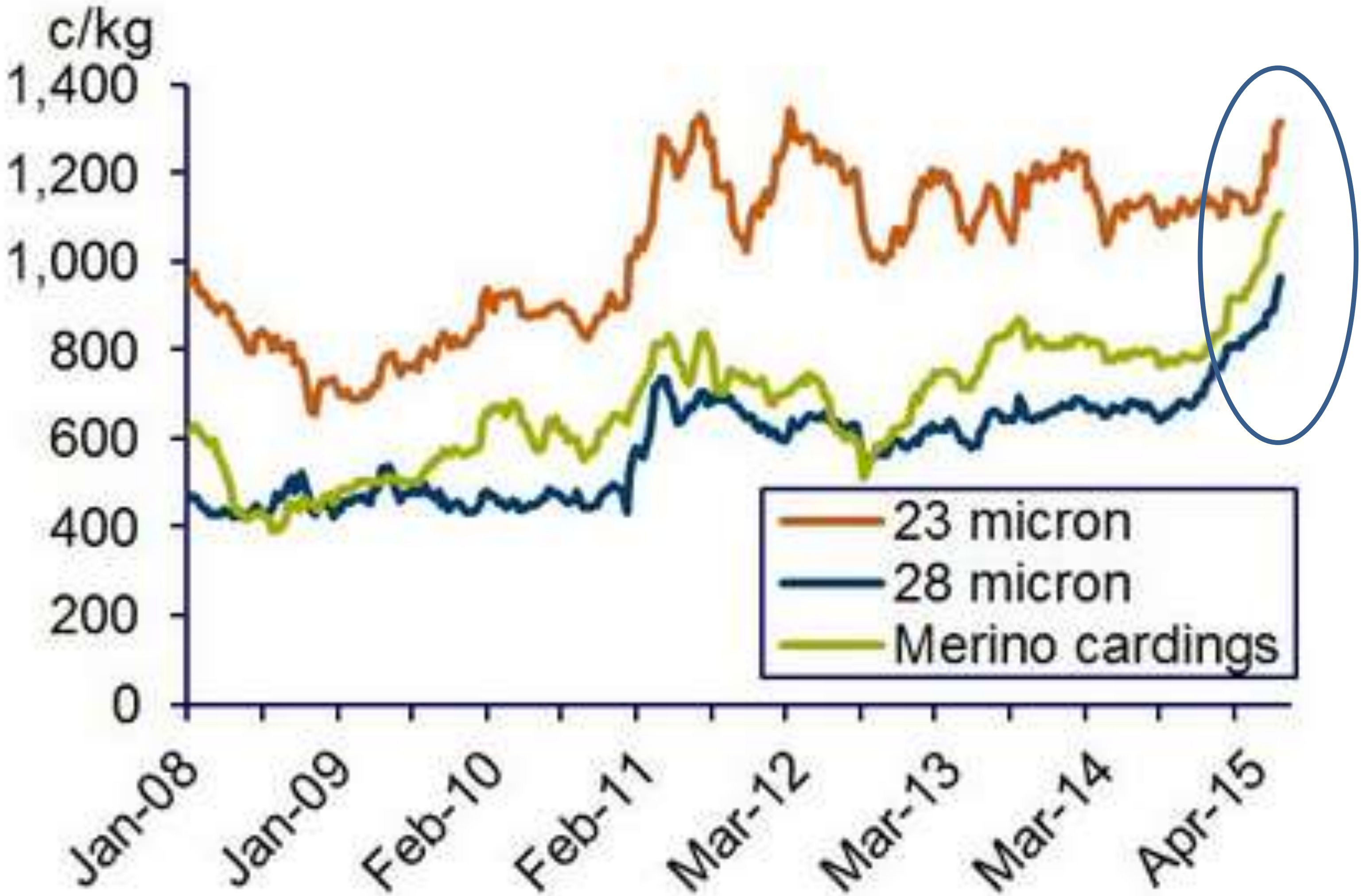
**Graph 1.03: Average net profit per hectare per 100mm of annual rainfall (nominal) for wool flocks, beef herds, dual purpose and prime lamb flocks, wheat and canola crops from 2008 to 2012**




20u SR Merino vs Dorper
GM/DSE
39.27
41.3
43.36
45.39
34.18
37.77
41.36
44.95
48.53
Current Industry Average
85/80
90/85
95/90
100/95
125/115
135/125
145/135
155/145
165/155
SR Merino 20u
Dorper

# 7 Year Price Trend – 18u vs 21u

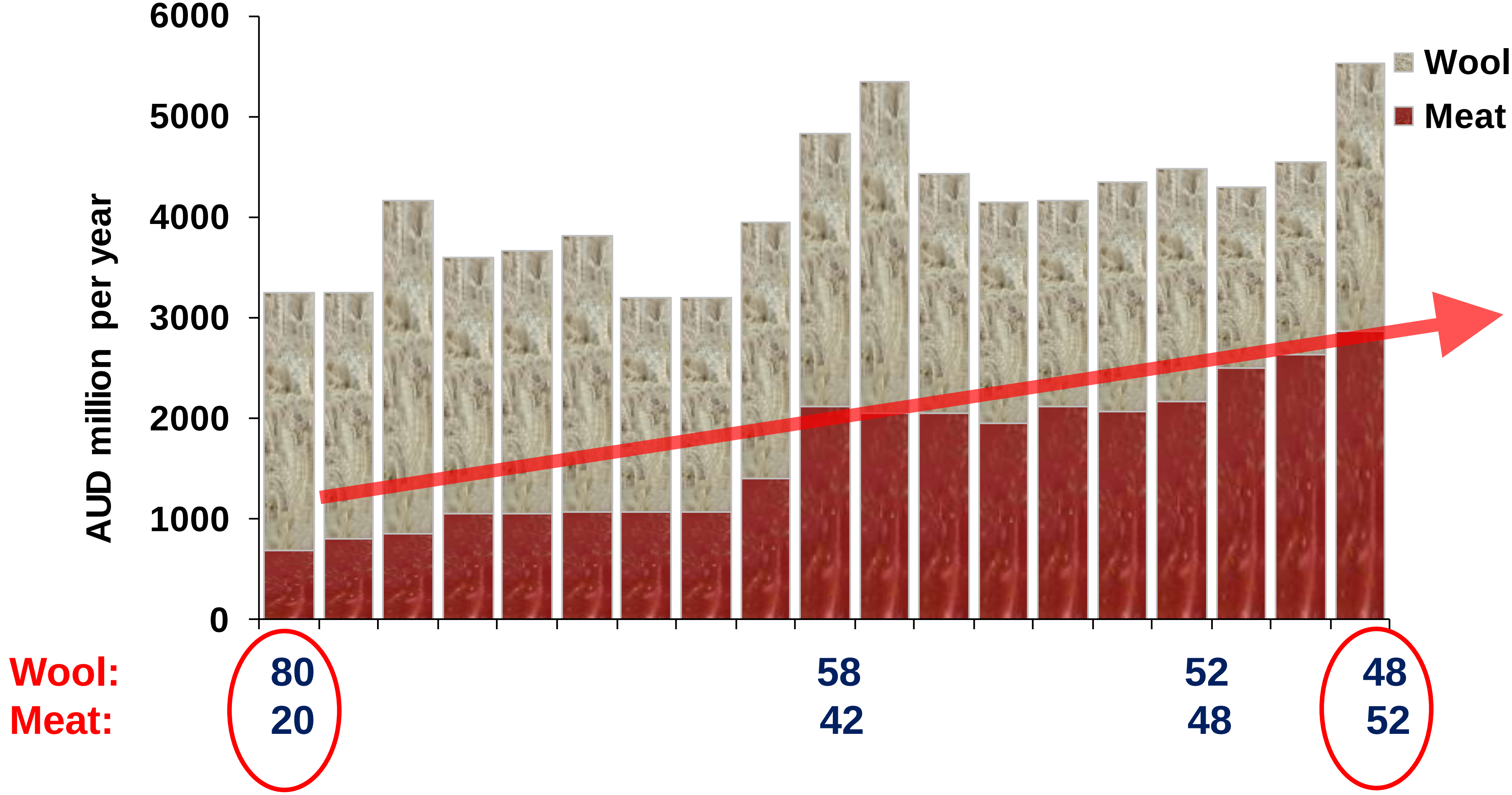
# 7 year price trend 23u/28u/Cardings

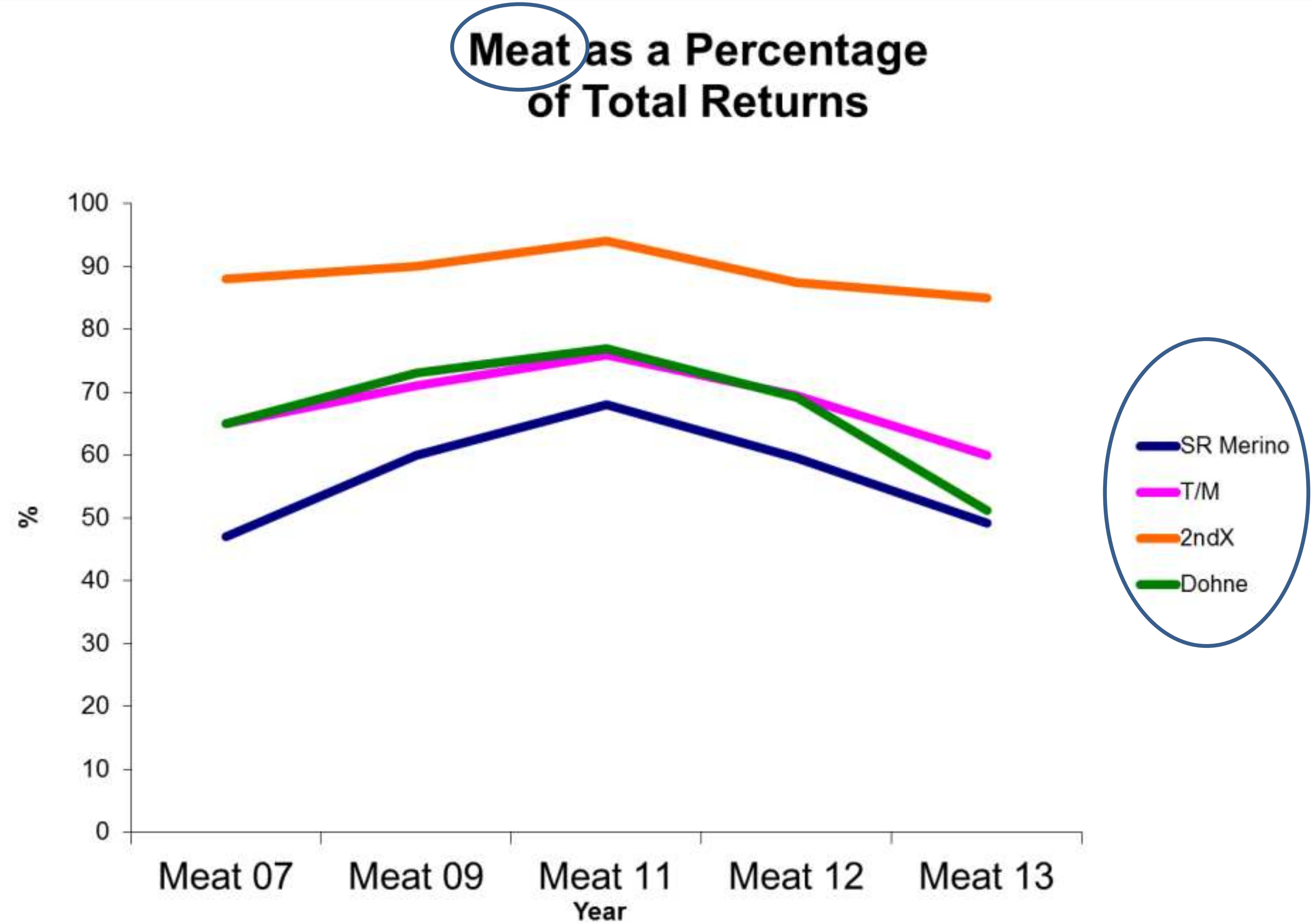


# Gross value of production –

## (sheep meat & wool)

## 1992 - 2012




Meat as a Percentage
of Total Returns
100
90
80
70
60
50
40
30
20
10
0
%
Meat 07
Meat 09
Meat 11
Meat 12
Meat 13
Year
SR Merino
T/M
2ndX
Dohne

# Sheep Meat Markets and Predictions

Where are we headed in terms of:

- A sustainable ewe base?
- Future production and prices?

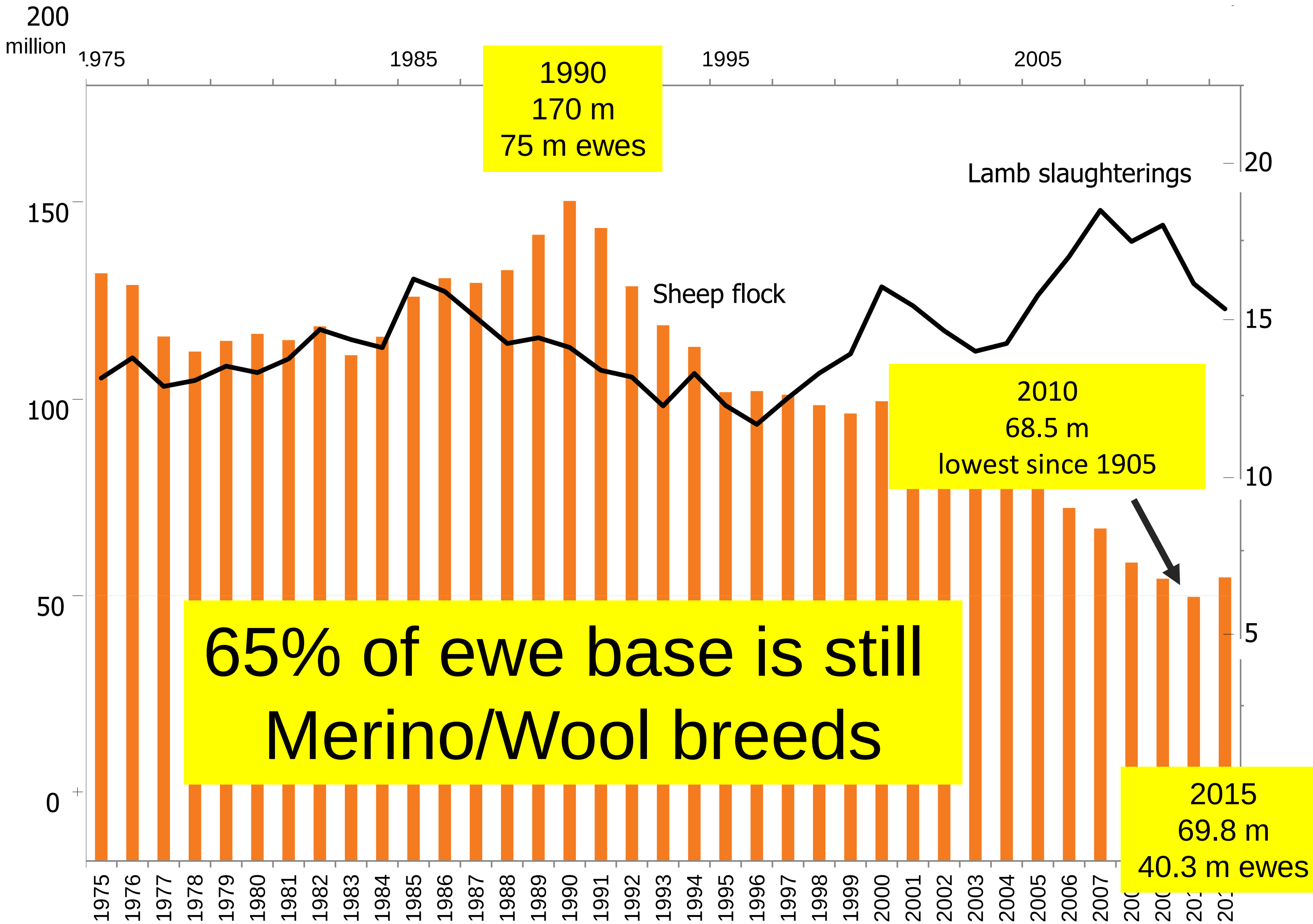
Beef Central | Jobs Central


News | Features | Markets | Lamb Production | Wool Production | Pr

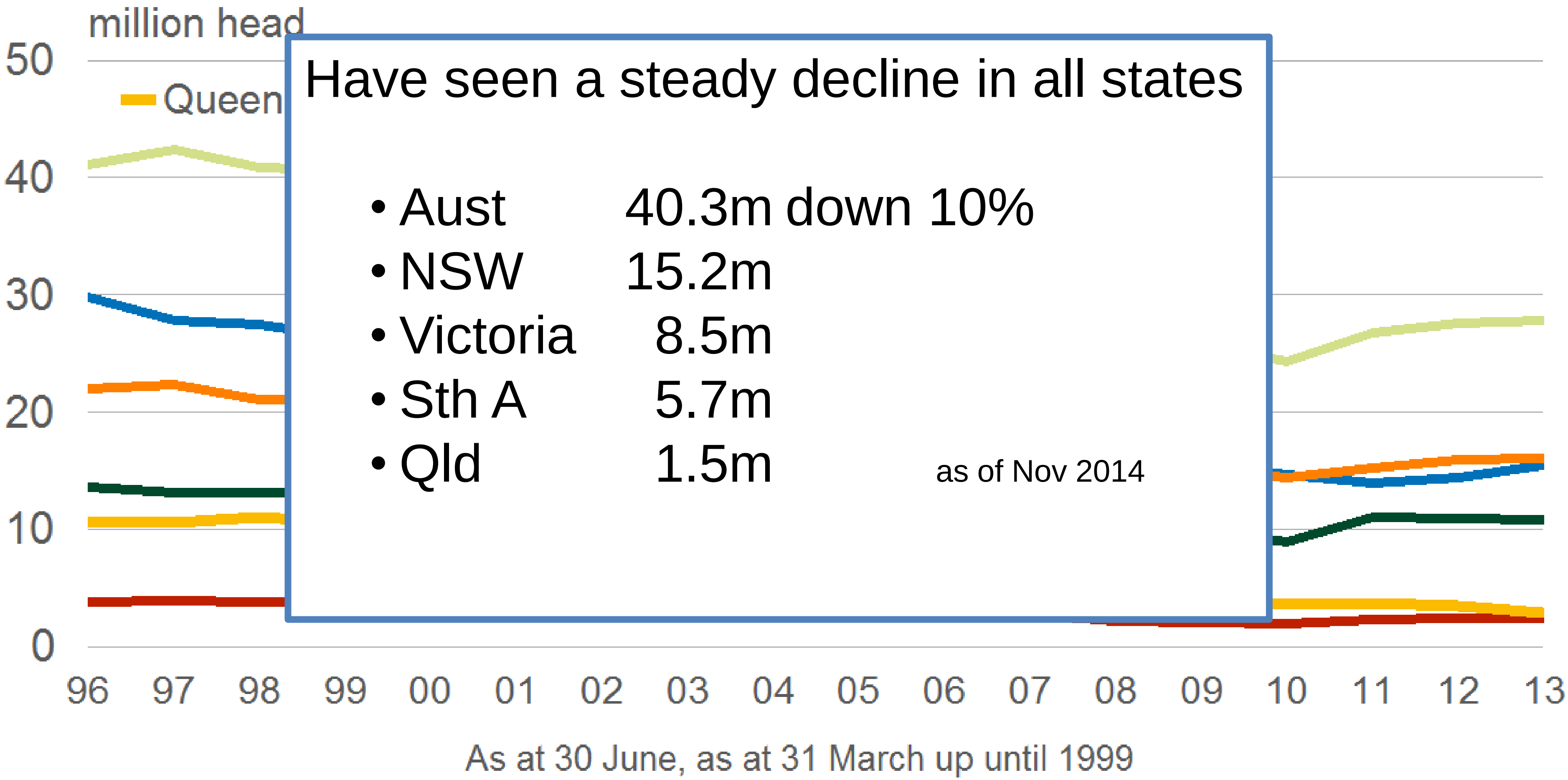
News

# NZ's sheep numbers drop back to 1943 levels

# A sustainable industry?



# Australian sheep flock by state



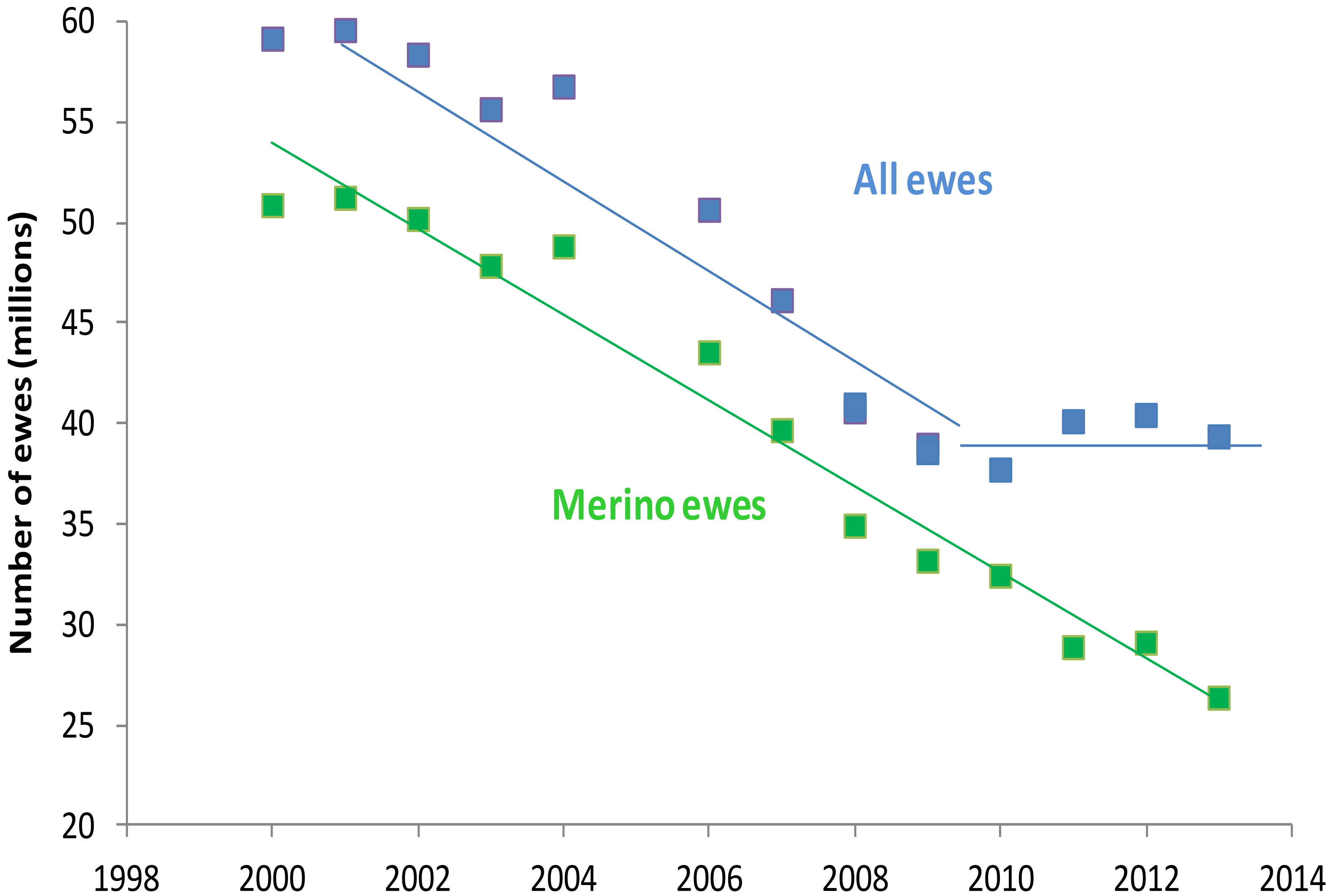

Have seen a steady decline in all states

- Aust 40.3m down 10%
- NSW 15.2m
- Victoria 8.5m
- Sth A 5.7m
- Qld 1.5m

as of Nov 2014

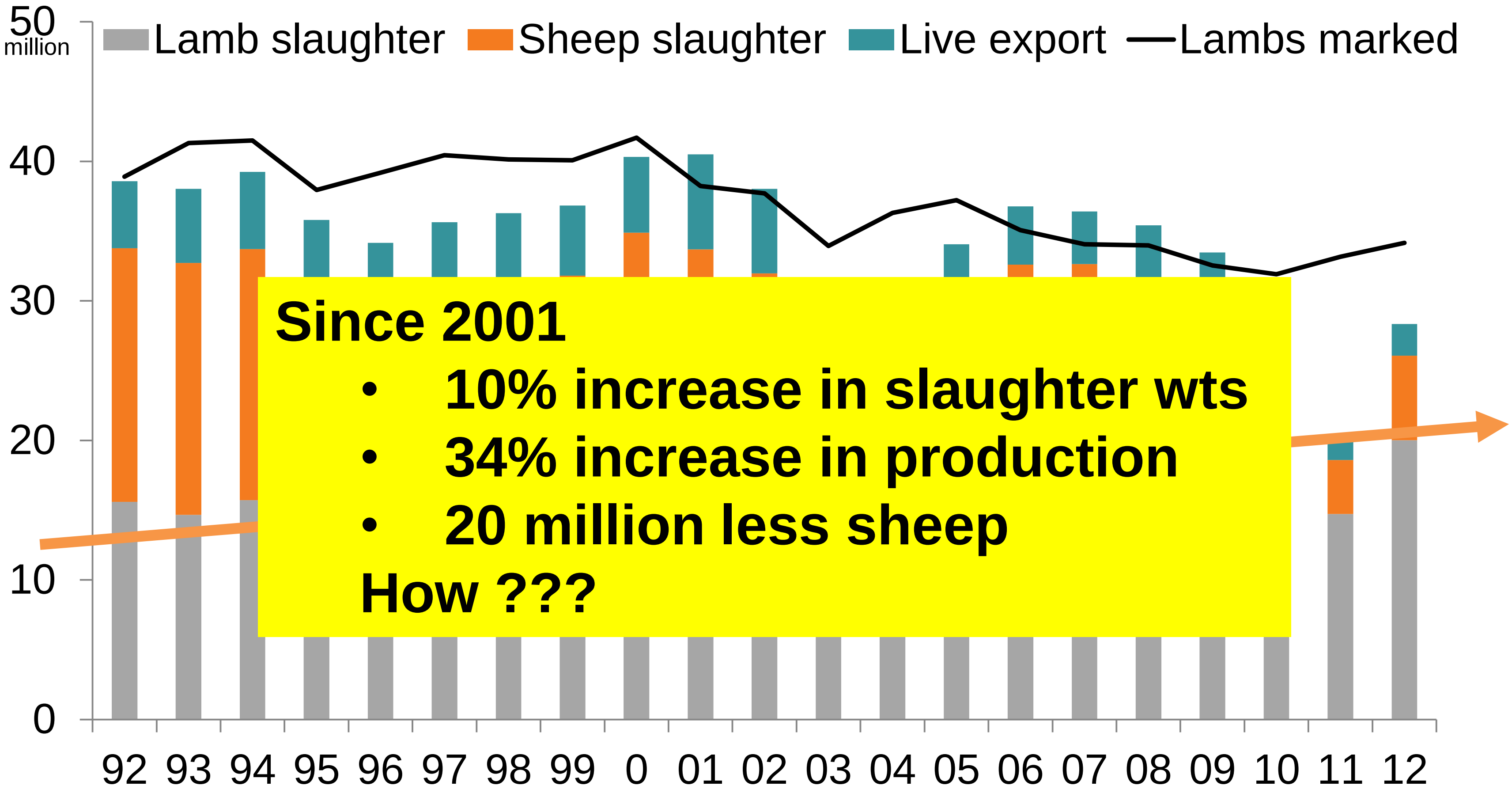
Source: ABS

# Industries greatest threat is declining Merino ewe numbers (approx 2m pa)




Source: Curtis, K., Trompf, J., & Young, J. (November 2014)

# Total turn-off and lambs marked




**Since 2001**

- **10% increase in slaughter wts**
- **34% increase in production**
- **20 million less sheep**

**How ???**

# Trends in Average Marking Rate

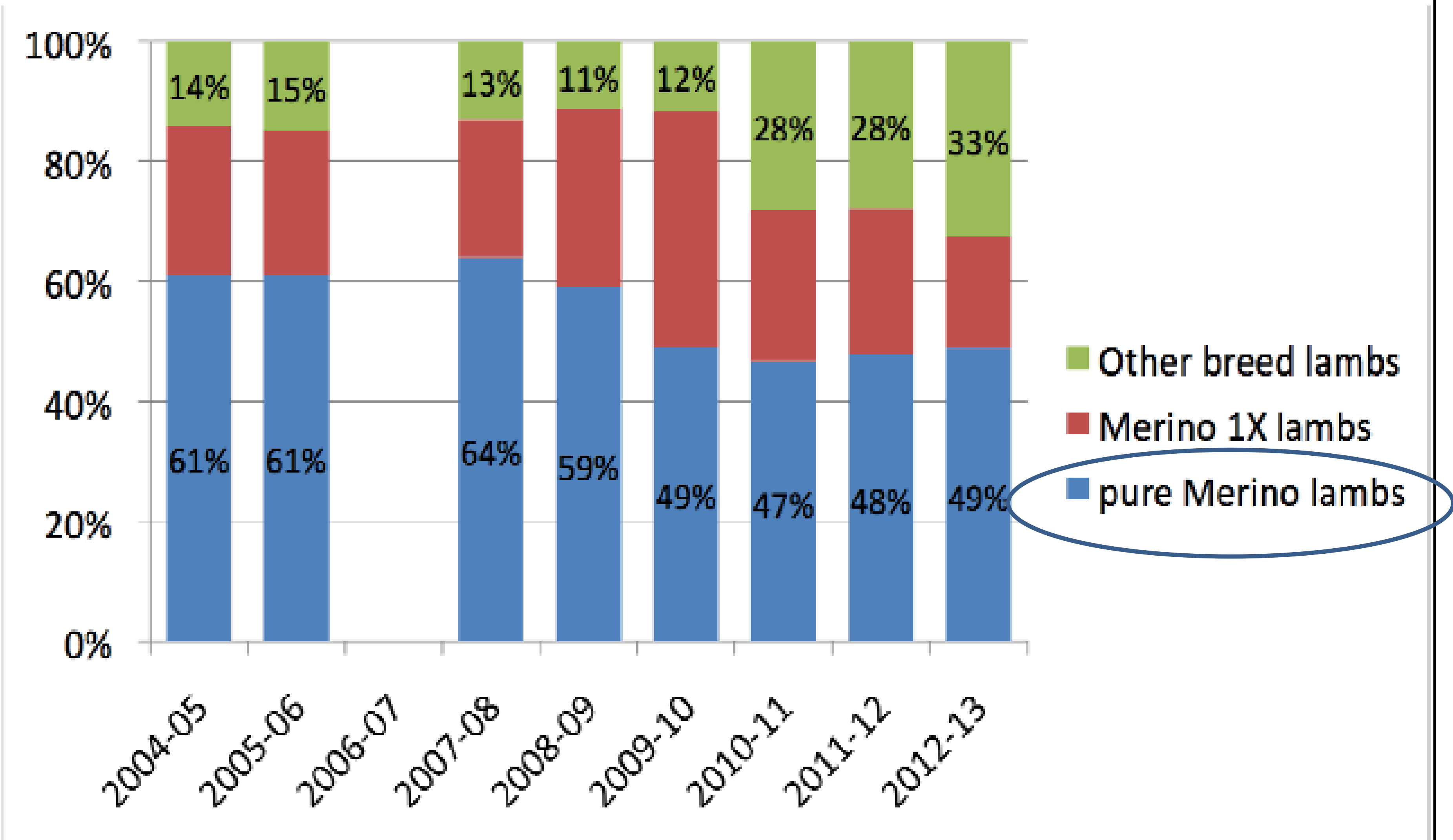
| Enterprise sector | Average marking rate (1990-1999) | Average marking rate (2000-2009) |
|---|---|---|
| Prime lamb specialists | | |
| Sheep specialists | | |
| Mixed sheep enterprises | | |
| Sheep Industry Total | | |

**New Zealand 130% and increasing ~1.5%/yr How ???**

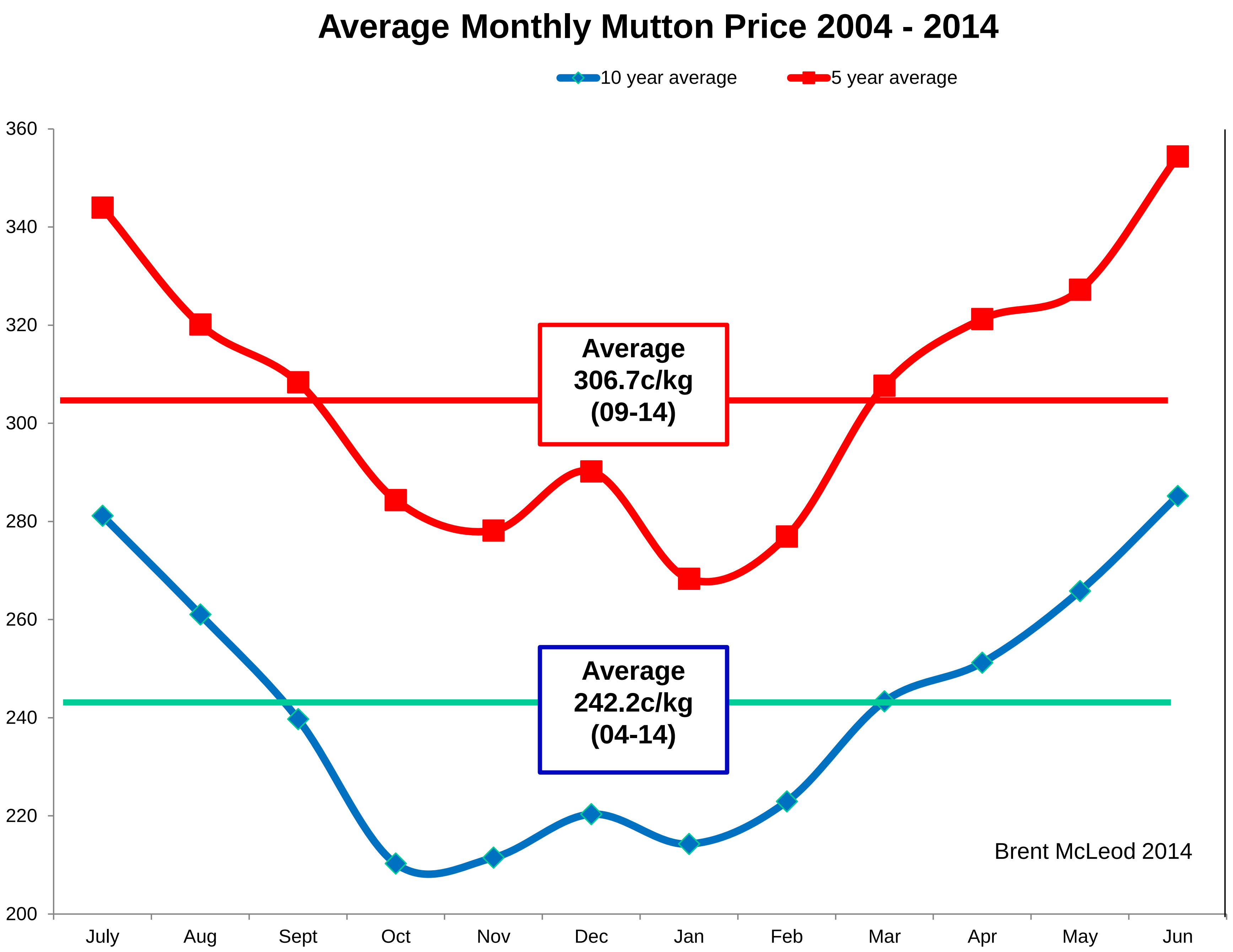
**Average lamb marking percentages ~90% for 2010-2014**

(ABARE Survey data for all sheep regions of Aus)

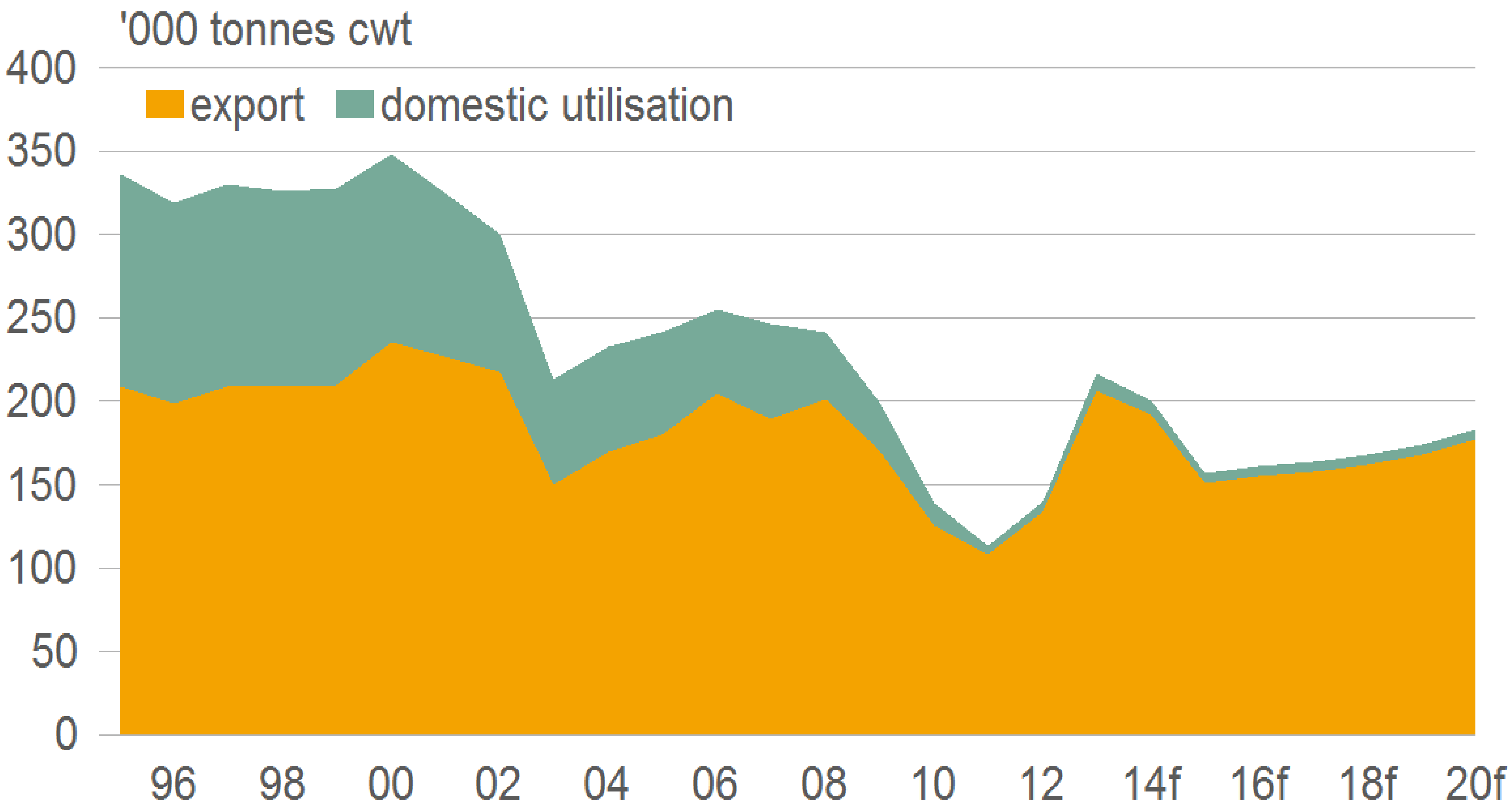
**Figure 12: Ewe mating choice**




*Source: Curtis 2014 (Based on ABS and DAFWA data, DAFWA analysis)*

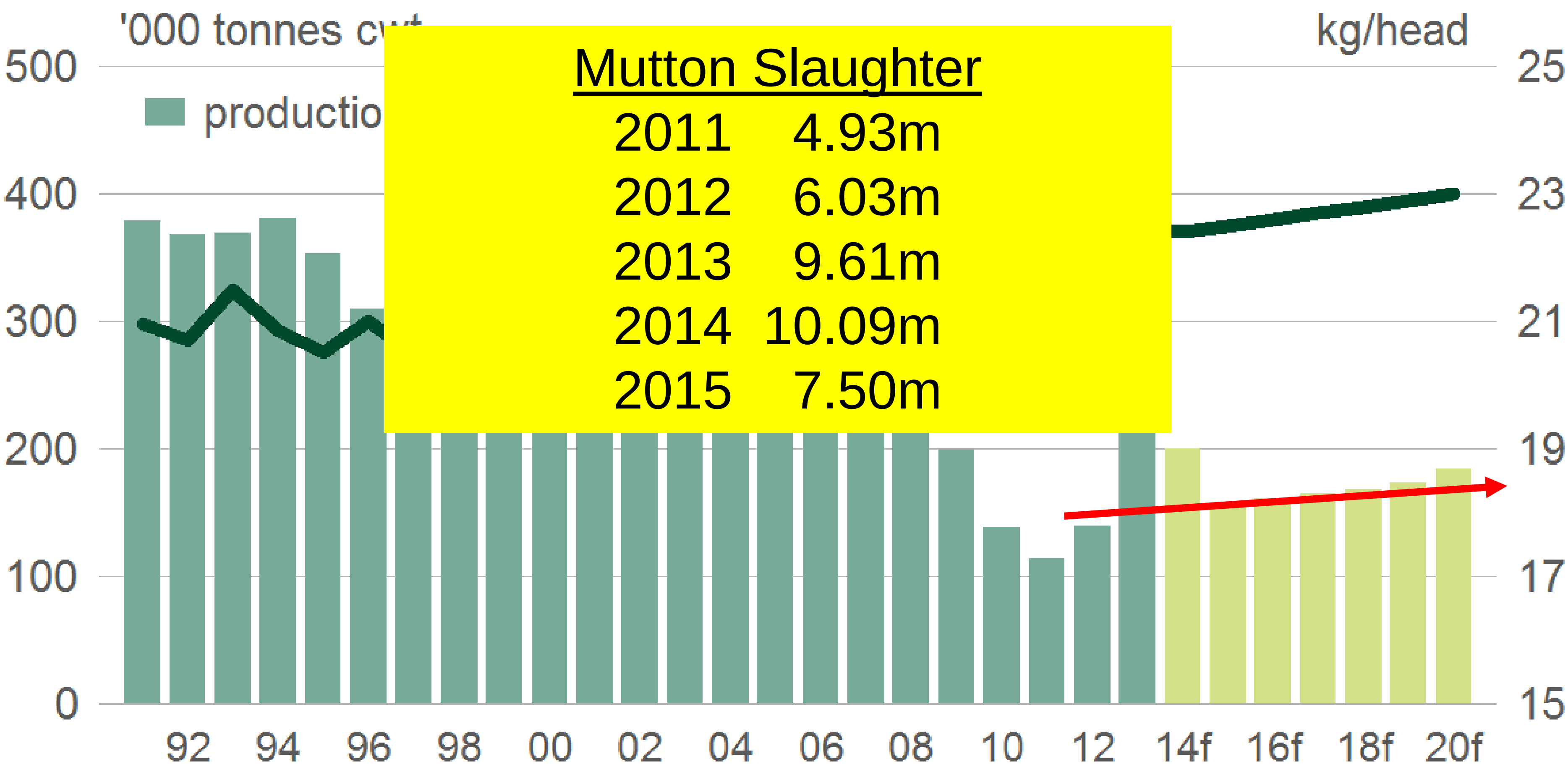

Average Monthly Mutton Price 2004 - 2014
10 year average
5 year average
360
340
320
300
280
260
240
220
200
Average
306.7c/kg
(09-14)
Average
242.2c/kg
(04-14)
Brent McLeod 2014
July
Aug
Sept
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun

# Mutton exports and domestic use



Source: DA, ABS, MLA forecasts

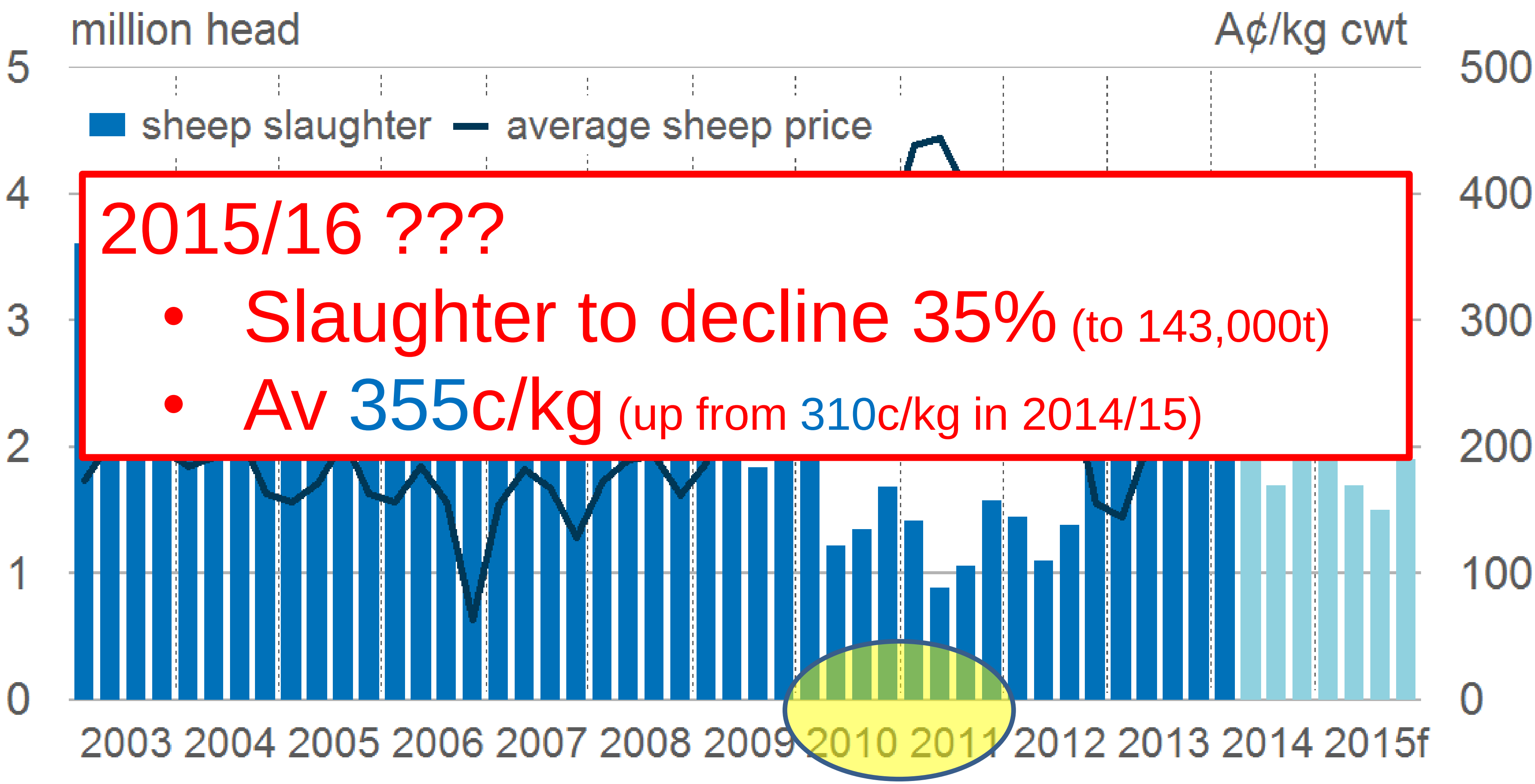
# Australian mutton production




Source: ABS, MLA forecasts

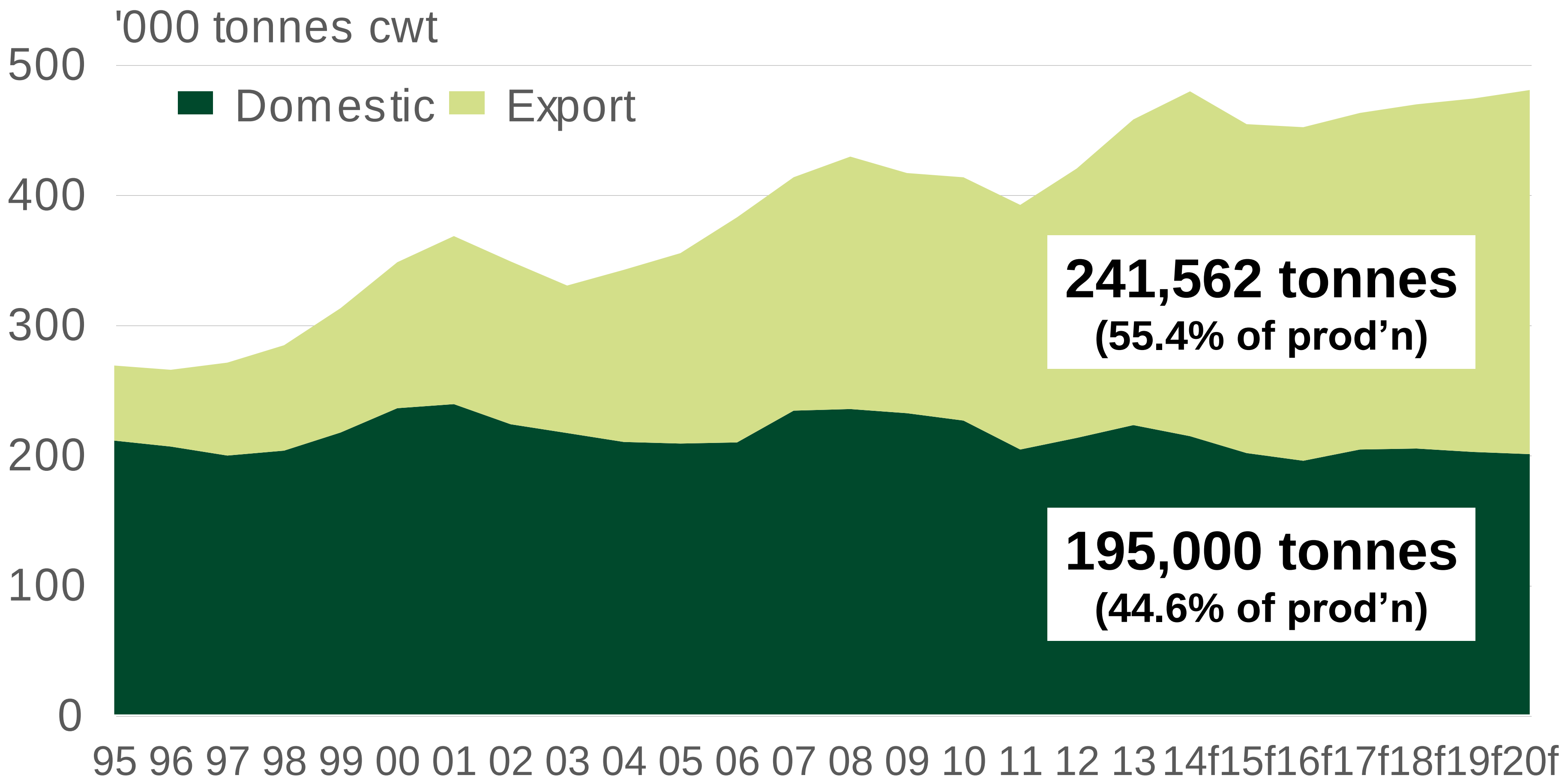
f = forecast

# Quarterly sheep slaughter and saleyard prices




High lamb prices in 2010/11 due to low level of production (low ewe numbers) and record demand
Current period (again) seeing high prices – helped by falling $A and reduced numbers due to seasonal conditions

# Lamb (2014/15)
## Export vs domestic

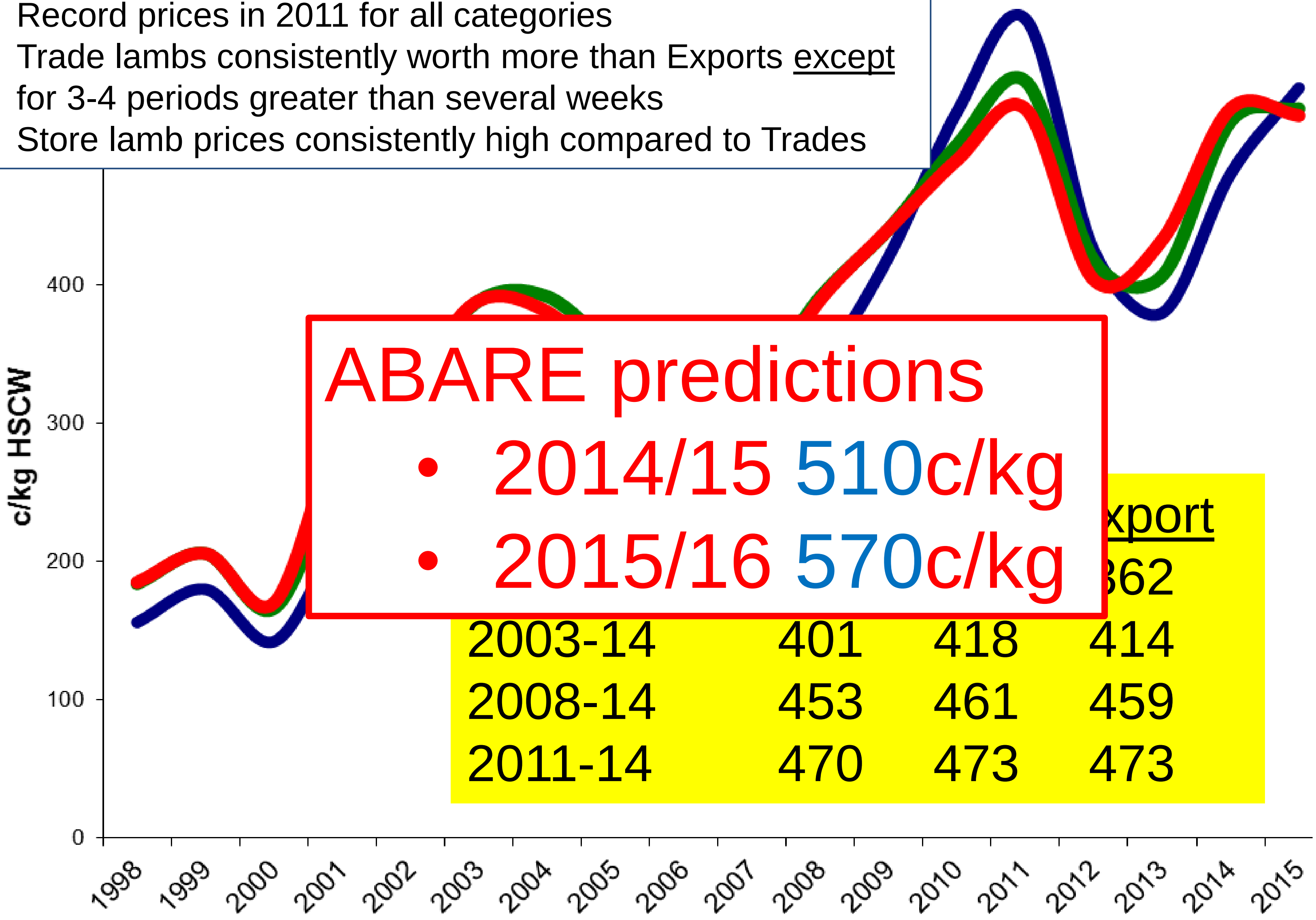



Source: DA, MLA forecasts

f = forecast

**1998 to 2015**

- Record prices in 2011 for all categories
- Trade lambs consistently worth more than Exports <u>except</u> for 3-4 periods greater than several weeks
- Store lamb prices consistently high compared to Trades

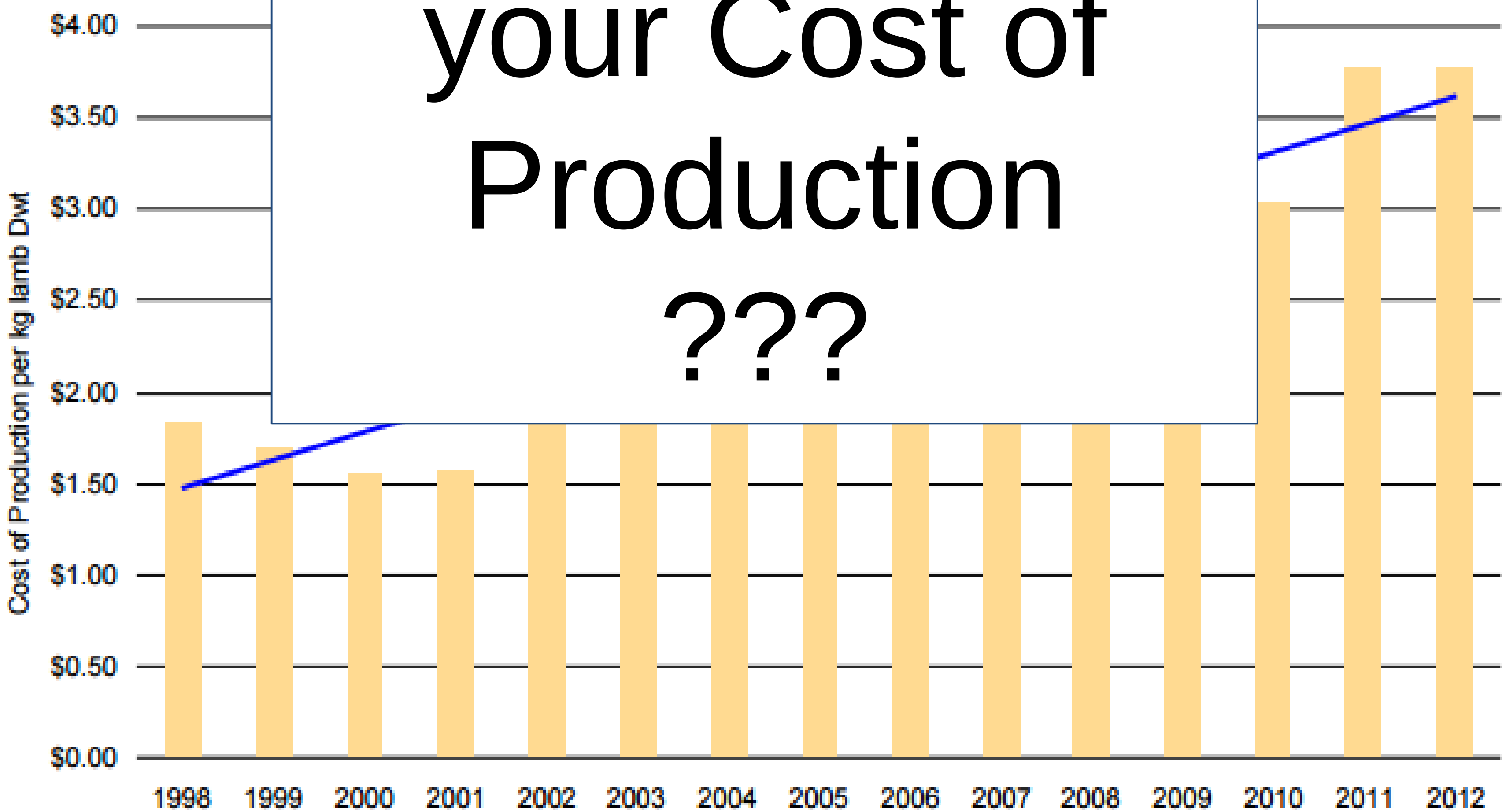



ABARE predictions

- 2014/15 510c/kg
- 2015/16 570c/kg

| | | | |
|---|---|---|---|
| | | | <u>xport</u> |
| | | | 362 |
| 2003-14 | 401 | 418 | 414 |
| 2008-14 | 453 | 461 | 459 |
| 2011-14 | 470 | 473 | 473 |

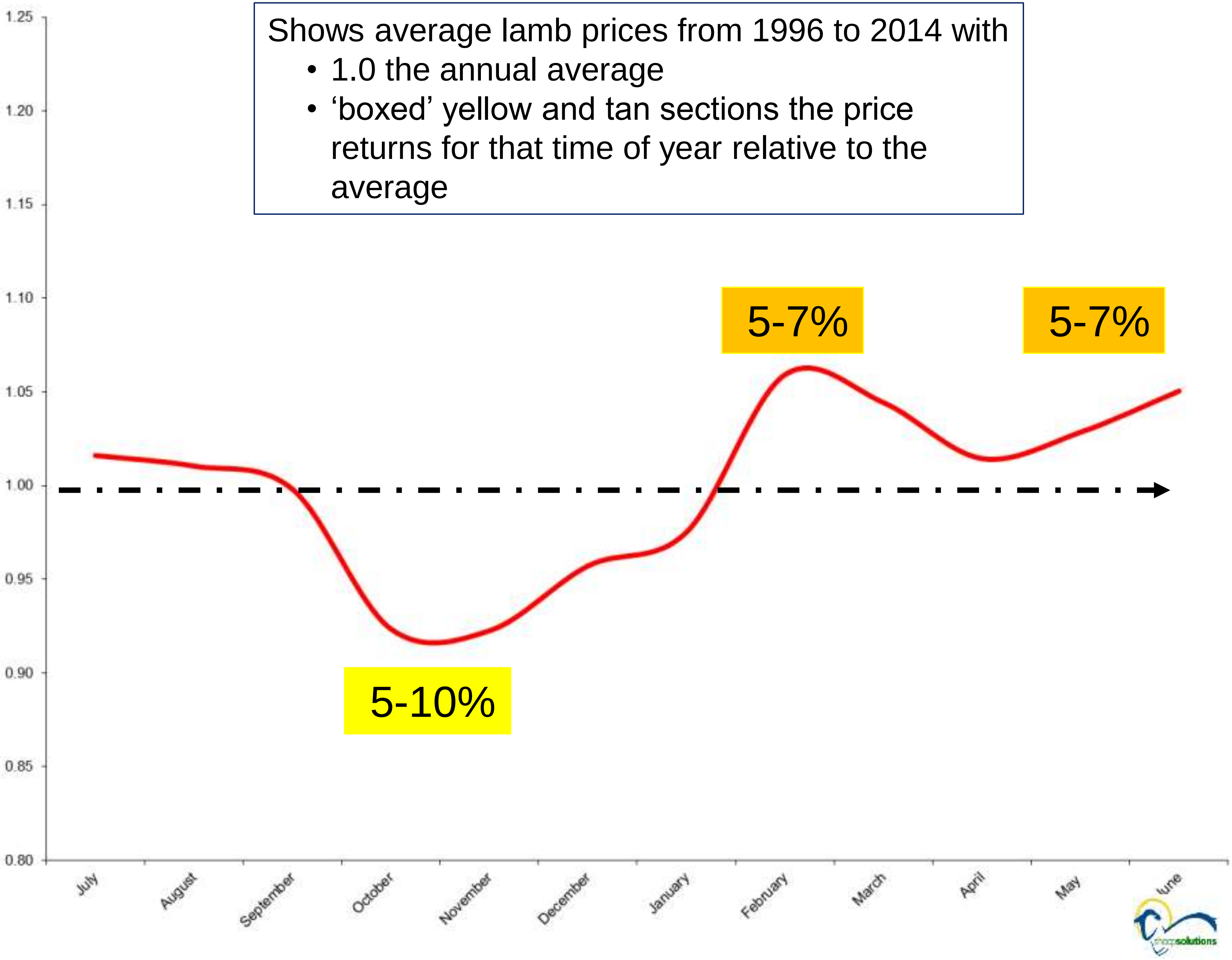
# Do you know your Cost of Production ???

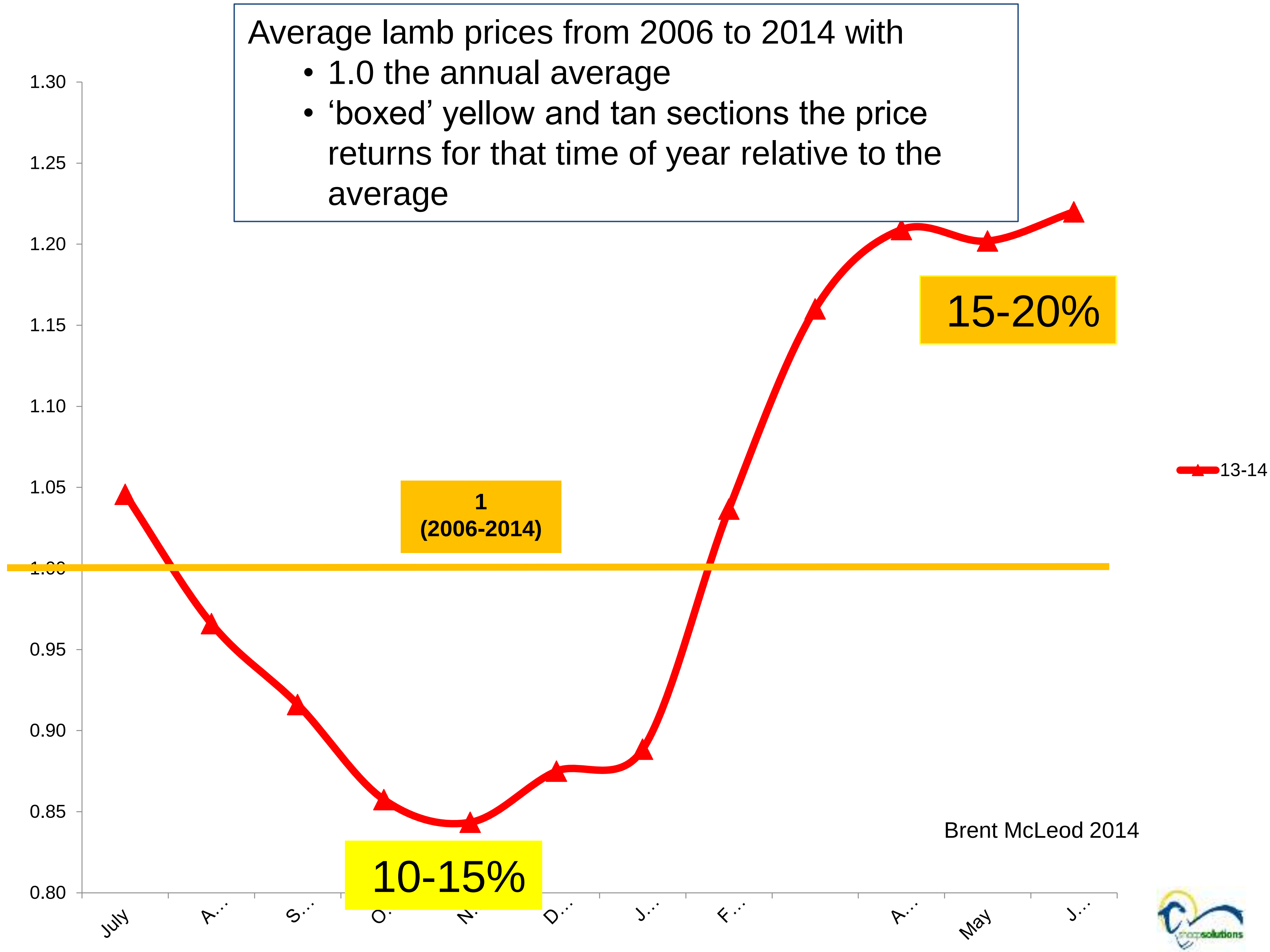


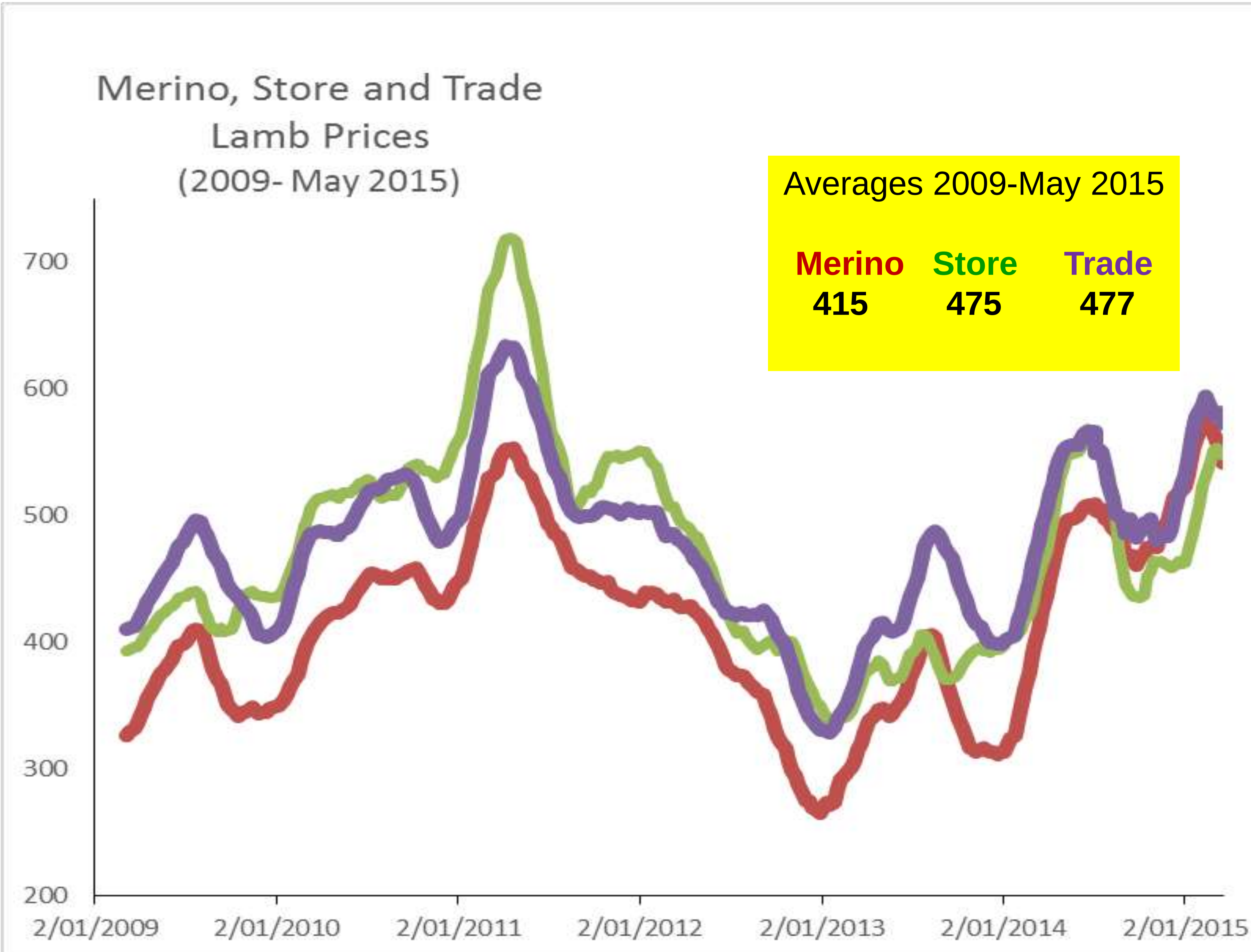

*Source: Holmes Sackett Pty Ltd Benchmarking Database 1998-2012*

Shows average lamb prices from 1996 to 2014 with

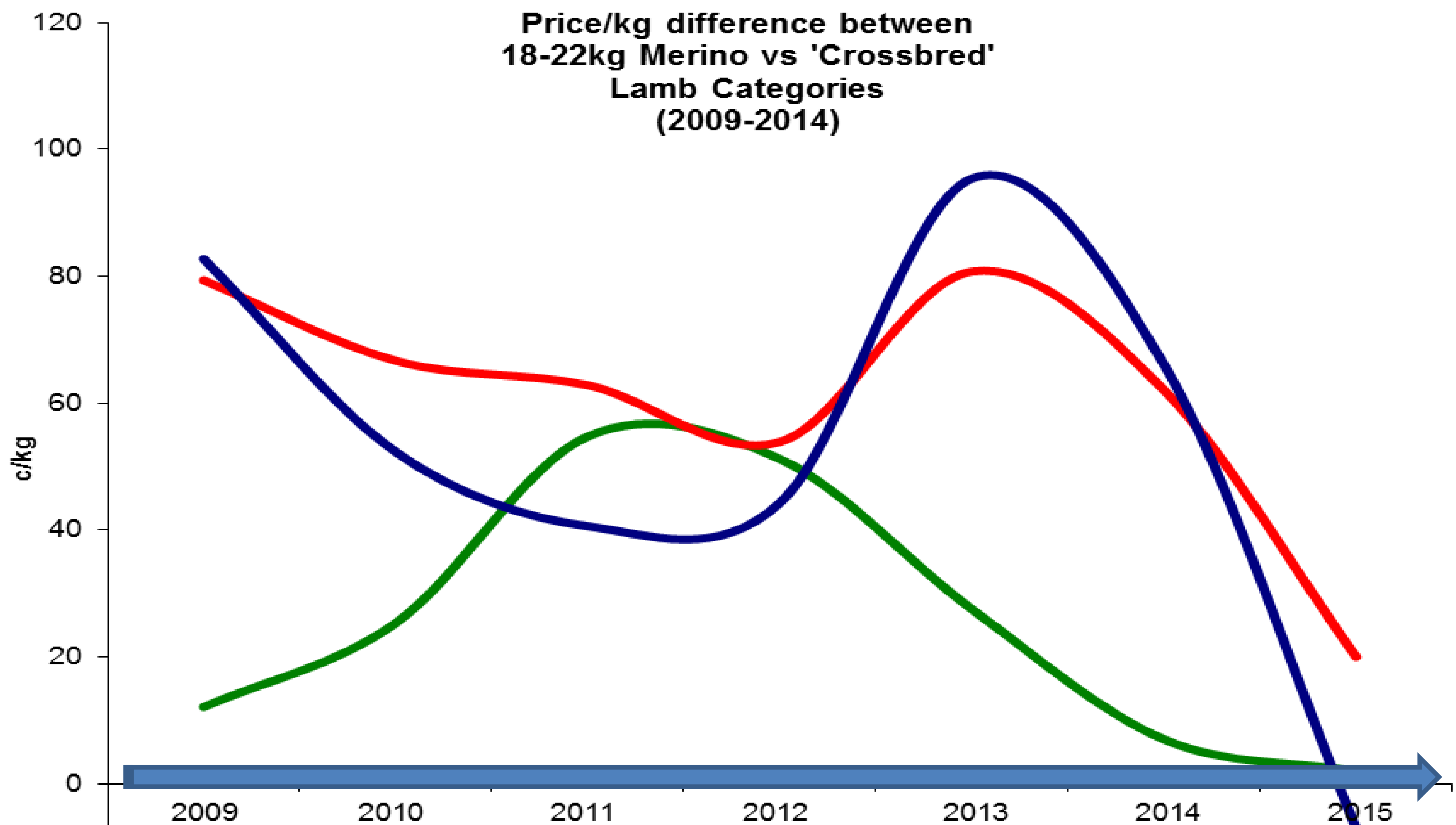
- 1.0 the annual average
- ‘boxed’ yellow and tan sections the price returns for that time of year relative to the average




Average lamb prices from 2006 to 2014 with
• 1.0 the annual average
• ‘boxed’ yellow and tan sections the price returns for that time of year relative to the average
1.30
1.25
1.20
1.15
1.10
1.05
0.95
0.90
0.85
0.80
July
A…
S…
O.
N.
D…
J…
F…
A…
May
J…
1
(2006-2014)
15-20%
10-15%
13-14
Brent McLeod 2014



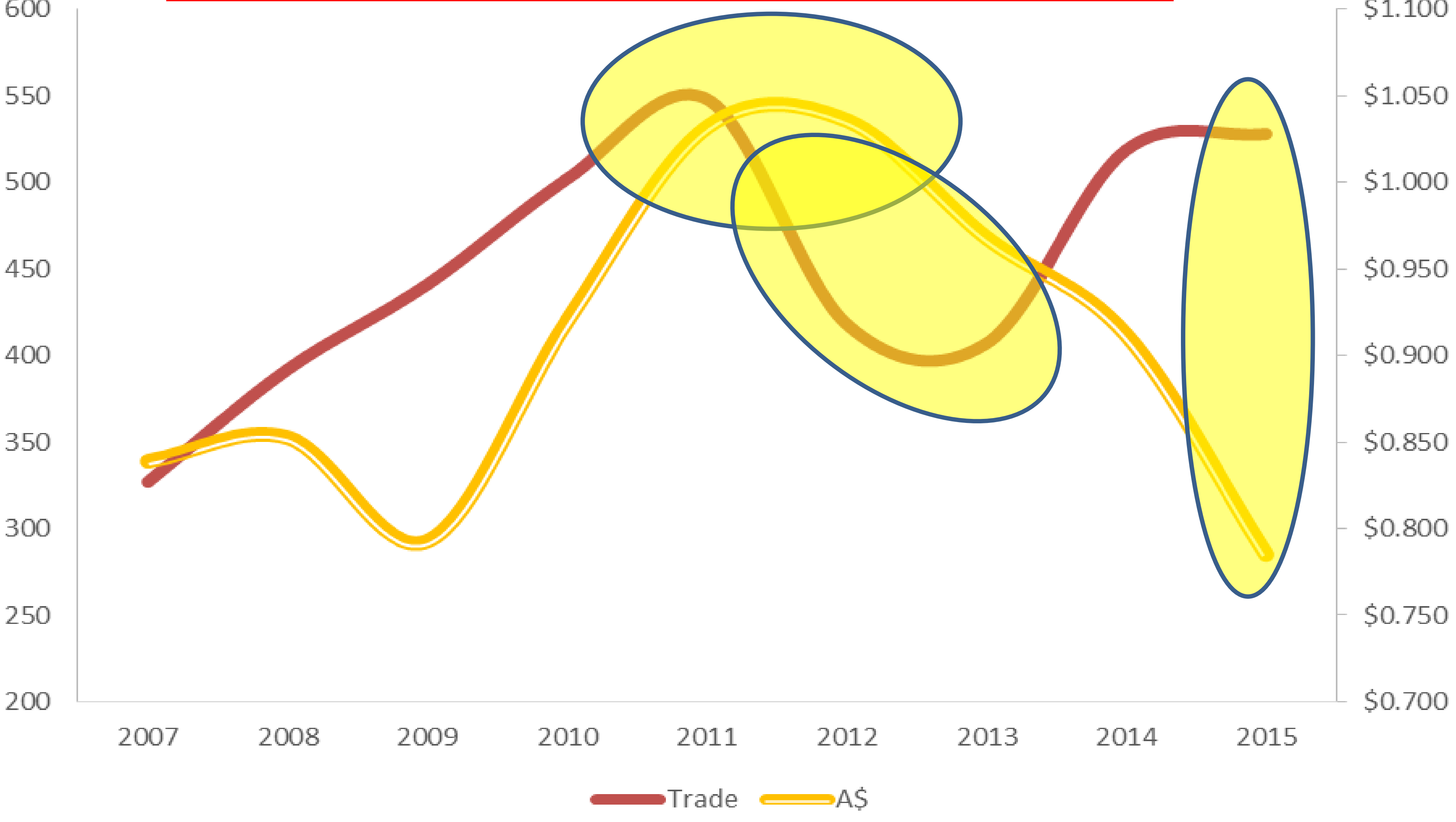
Merino, Store and Trade
Lamb Prices
(2009- May 2015)
Averages 2009-May 2015
Merino
415
Store
475
Trade
477
700
600
500
400
300
200
2/01/2009
2/01/2010
2/01/2011
2/01/2012
2/01/2013
2/01/2014
2/01/2015

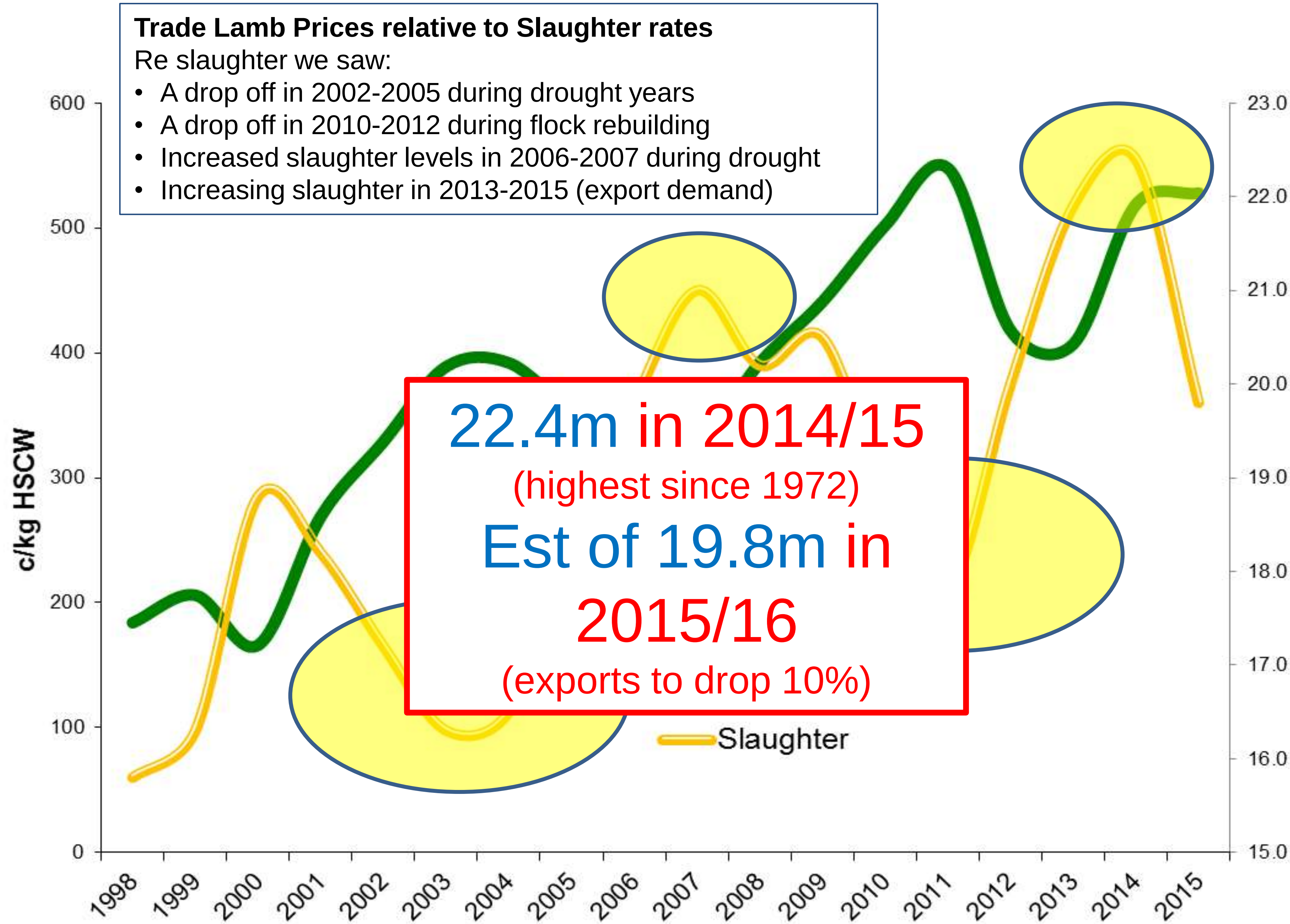


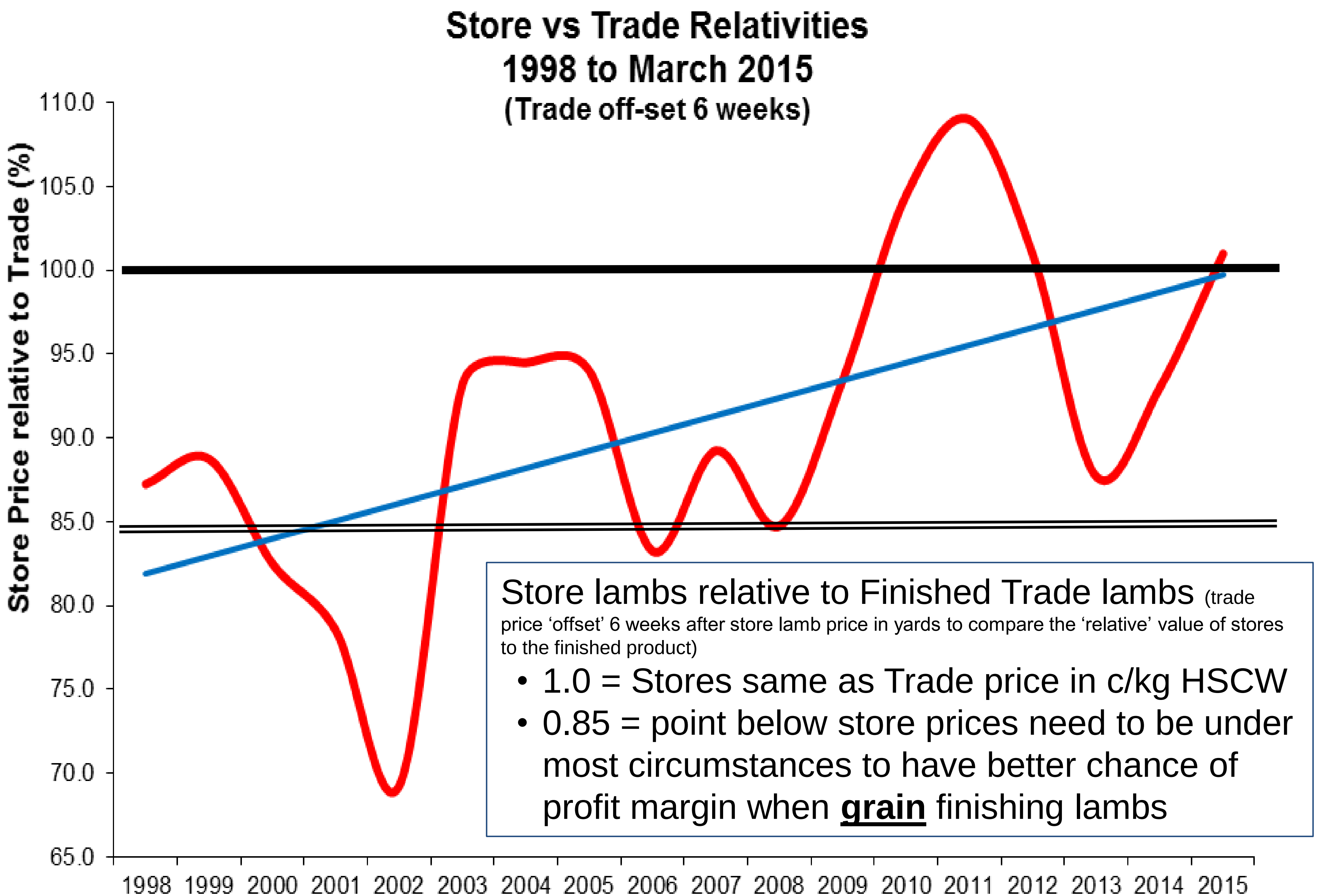

Merino Average compared to

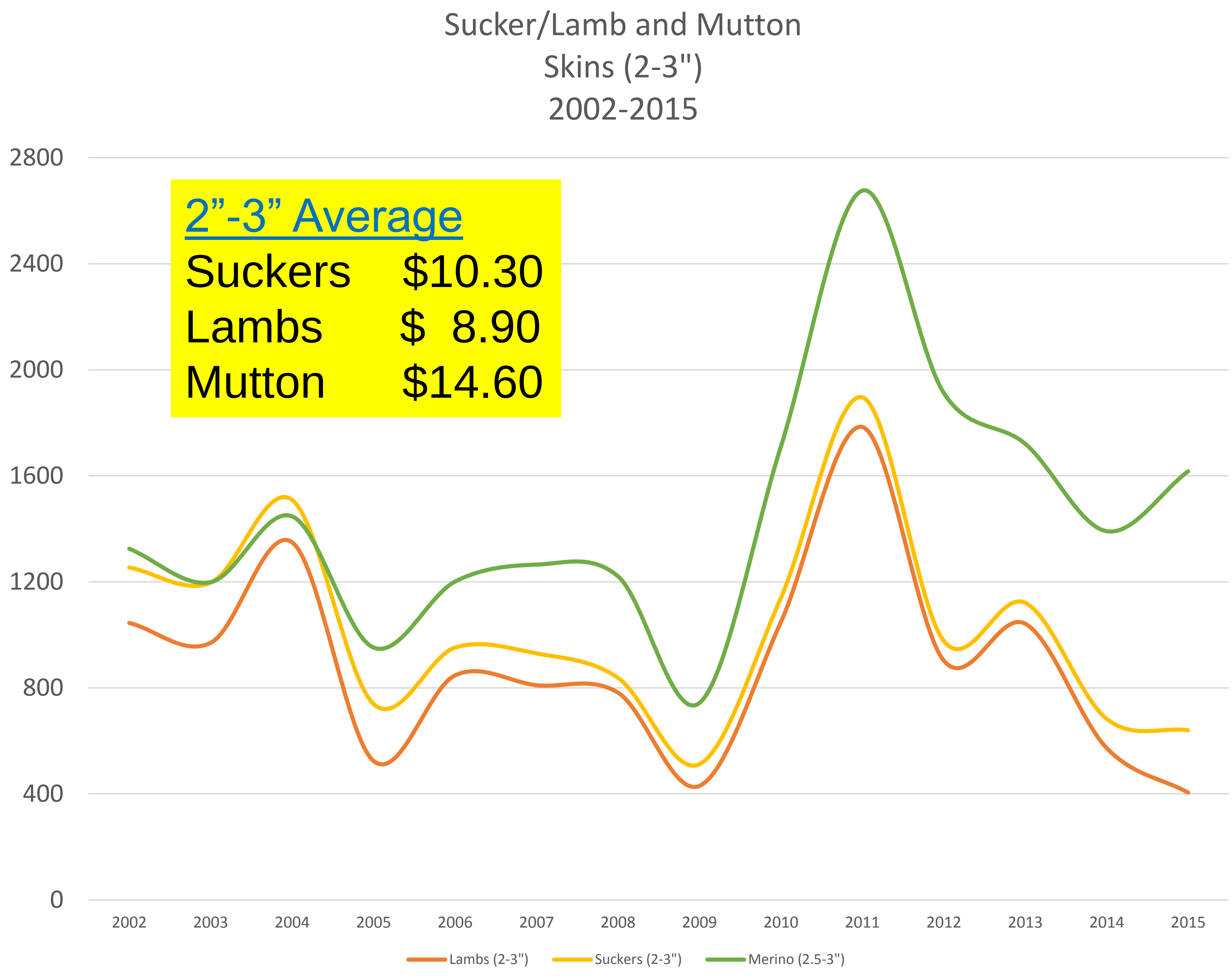
| | Stores | Trade | Export |
|---|---|---|---|
| 2015 | 2 | 20 | -7 |
| 09/15 | 26 | 61 | 53 |

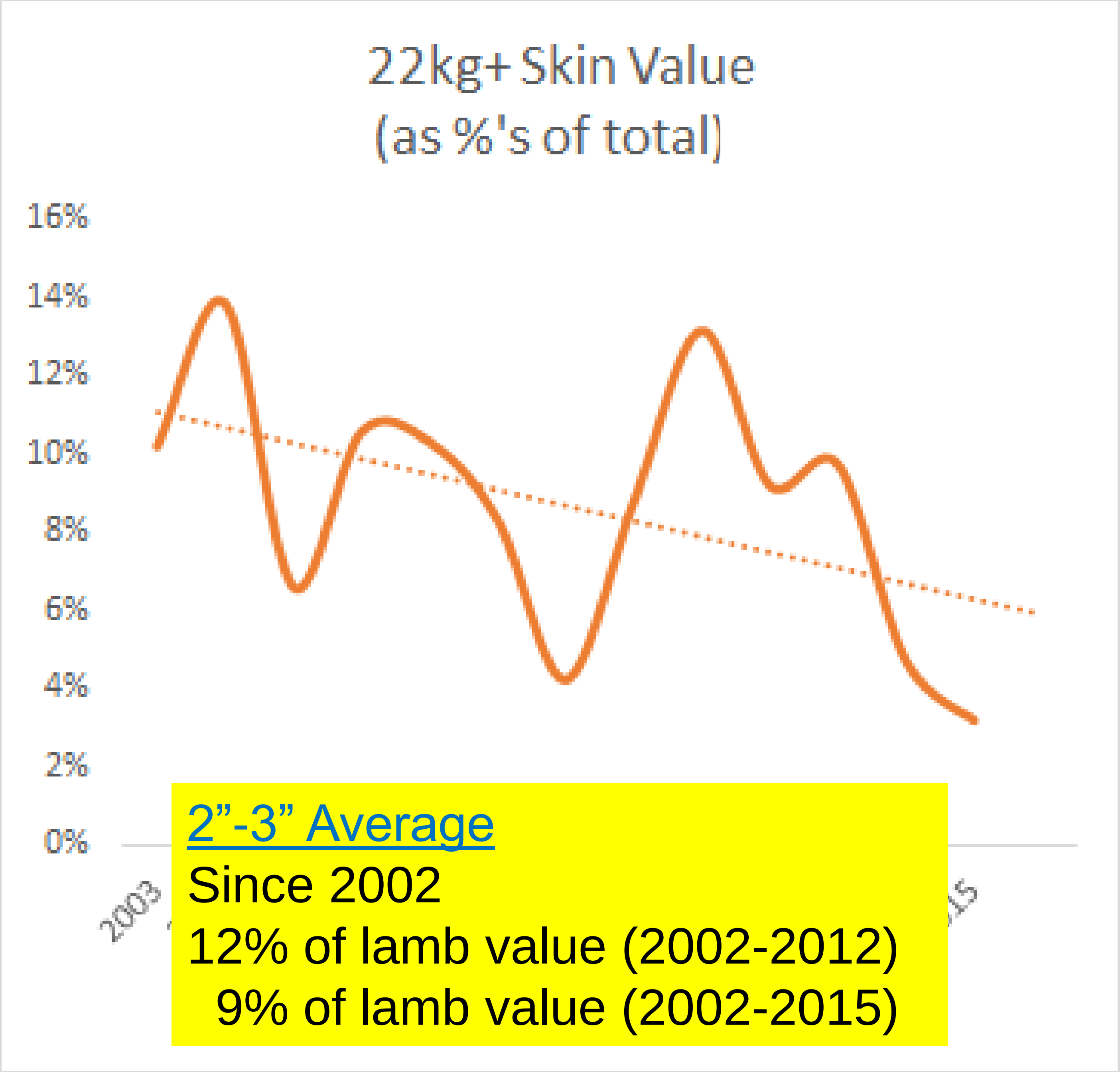
- Record prices in 2011 despite high $A (110c)
- Prices dropped in 2012 due (in part) to consumer backlash
- Currently experiencing high prices and a falling $A, helping export demand




Trade Lamb Prices relative to Slaughter rates
Re slaughter we saw:
• A drop off in 2002-2005 during drought years
• A drop off in 2010-2012 during flock rebuilding
• Increased slaughter levels in 2006-2007 during drought
• Increasing slaughter in 2013-2015 (export demand)
22.4m in 2014/15
(highest since 1972)
Est of 19.8m in 2015/16
(exports to drop 10%)
Slaughter
c/kg HSCW
600
500
400
300
200
100
0
23.0
22.0
21.0
20.0
19.0
18.0
17.0
16.0
15.0
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015


Store vs Trade Relativities
1998 to March 2015
(Trade off-set 6 weeks)
Store Price relative to Trade (%)
110.0
105.0
100.0
95.0
90.0
85.0
80.0
75.0
70.0
65.0
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015
Store lambs relative to Finished Trade lambs (trade price 'offset' 6 weeks after store lamb price in yards to compare the 'relative' value of stores to the finished product)
• 1.0 = Stores same as Trade price in c/kg HSCW
• 0.85 = point below store prices need to be under most circumstances to have better chance of profit margin when grain finishing lambs


Sucker/Lamb and Mutton
Skins (2-3")
2002-2015
2"-3" Average
Suckers $10.30
Lambs $ 8.90
Mutton $14.60
2800
2400
2000
1600
1200
800
400
0
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Lambs (2-3")
Suckers (2-3")
Merino (2.5-3")

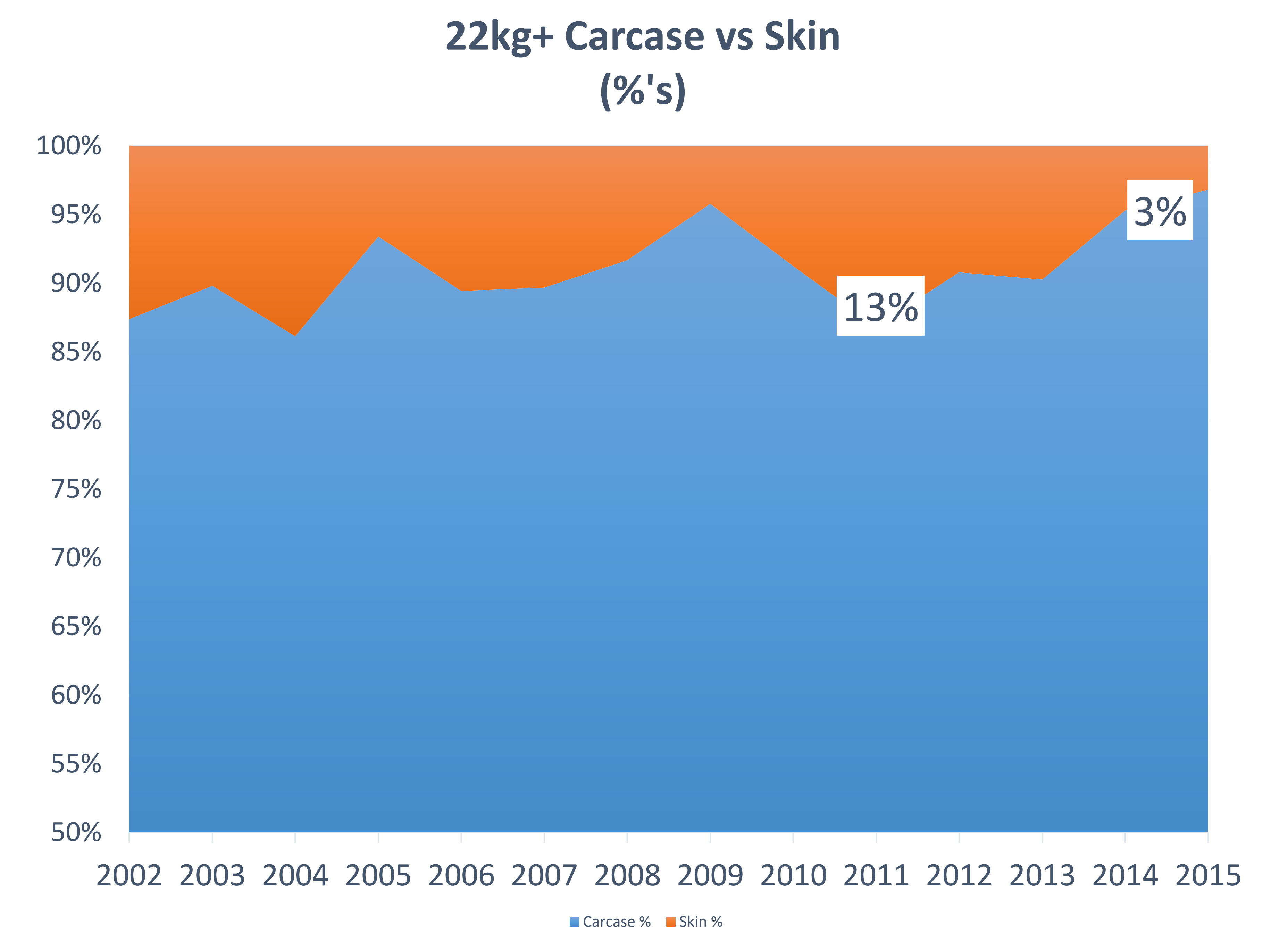



2”-3” Average

Since 2002

12% of lamb value (2002-2012)

9% of lamb value (2002-2015)


22kg+ Carcase vs Skin
(%'s)
100%
95%
90%
85%
80%
75%
70%
65%
60%
55%
50%
13%
3%
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Carcase %
Skin %

# A sustainable industry?