



Australia a low cost sheepmeat producer, with room to improve 2013 agri benchmark results

Despite the lamb price correction since 2011, the global sheepmeat outlook promises rising demand, constrained supply, record prices and higher farm profits – at least for those producers capable of containing costs and raising productivity.

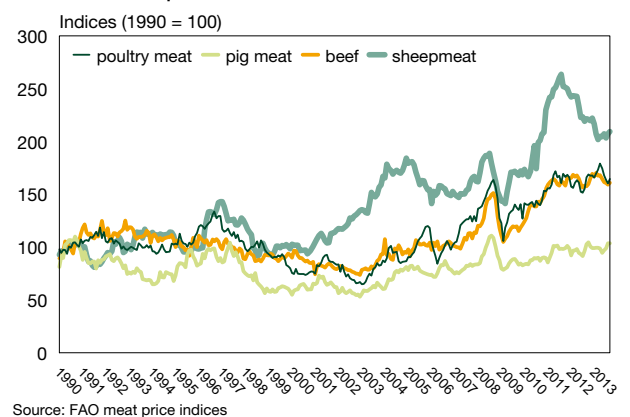
The 2013 *agri benchmark* global farm network analysis, concluded following its 11th annual international conference in York, England in June, reported on a global sheep industry buoyed by rising demand in China and the Middle East and tightening constraints on supply growth – due to limited land and feed, and environmental concerns.

Sheepmeat prices have risen more than any other meat since 2000, but have also been the most volatile.

While sheepmeat remains a niche meat, averaging only 2% of meat consumed globally, it is a favourite in much of the developing world – most notably amongst the quickly growing Muslim and Hispanic populations. The economic growth centres of China, India and the Middle East are increasingly looking to import sheepmeat, as local supplies fail to meet their needs.

agri benchmark network countries (covering 55% of global sheepmeat supply) reported that sheep farming was generally profitable in 2012. The majority of *agri benchmark*'s 'typical farms' made profits sufficient for short- to medium-term viability (covering cash costs and depreciation) and some even made a long-term profit (covering opportunity costs as well) – notably in Uruguay, New Zealand and China. Most European farms were not viable, until government payments were included.

Global meat prices



Uruguay

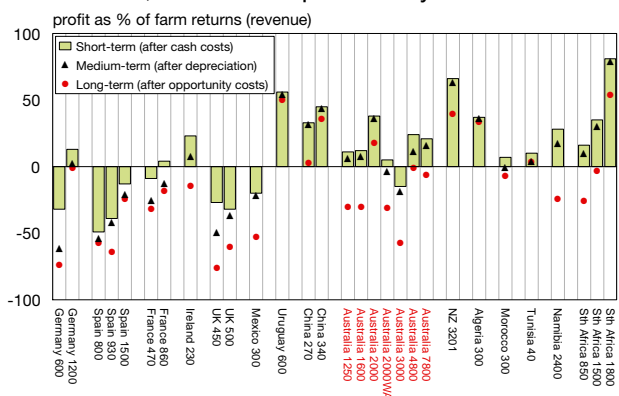


¹ The results in this brochure are drawn from the collective efforts of the 15 *agri benchmark* sheep network member countries (covering 55% of world beef production) culminating in the 11th annual *agri benchmark* conference in York, England, 13-19 June 2013. For more detail, see MLA's Red Meat Market Report entitled 'How are global and Australian beef and sheepmeat producers performing?' March 2014.

England



Flock costs, returns and profitability



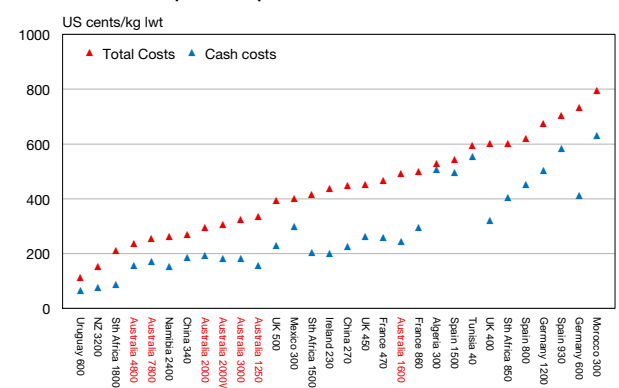
Source: *agri benchmark*

Farm numbers indicate number of ewes

All but one of Australia's seven *agri benchmark 'typical farms'* made short-term profits (covered cash costs), five of them achieving positive medium-term profits (also covered depreciation) in 2012, but only one made a long-term profit (covering opportunity costs), with two other farms close.

However, despite generally good global sheep farm profitability, the *agri benchmark* network of agricultural economists, advisors, producers and specialists report that few of the world's major sheepmeat producers and exporters are currently in a position to quickly raise supply, due to climatic, land, feed and environmental constraints.

Costs of sheepmeat production



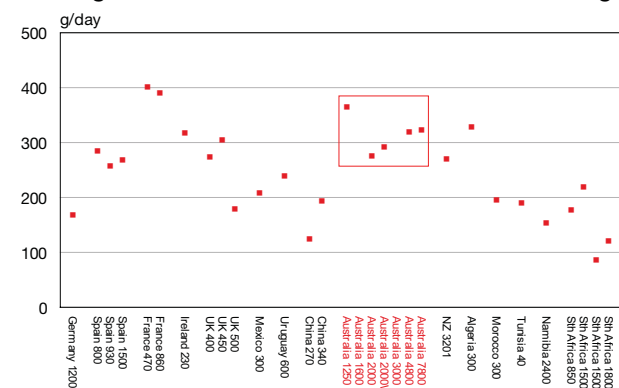
Source: *agri benchmark*

Farm numbers indicate number of ewes

Even China's production growth has halted, leading to very high prices, and future internal supply growth appears to require significant changes in policy or industry approach. However, environmental constraints on sheep production are tightening, limiting production growth potential and leading to a general acceptance of the need for further substantial growth in sheepmeat imports.

Australia's ability to respond to the growing demand for sheepmeat is also currently being eroded by drought and competition for land from cropping. However, *agri benchmark* 'typical' sheep farm results for 2012 confirm that Australian sheepmeat farms remain amongst the lowest cost producers globally, despite the recent erosion caused by the high A\$ – only bettered by farms in Uruguay, New Zealand and South Africa.

Lamb growth rates - store lambs: birth to weaning



Source: *agri benchmark*

Farm numbers indicate number of ewes

agri benchmark expects sheepmeat prices to rise further across global markets in coming years, leading to further increases in sheep farm profitability – driven by rising global demand, slow supply growth (including, importantly, in China, Australia and New Zealand) and rising costs.

Australia



With growing land, climate and feed constraints, the key to lifting sheepmeat production and achieving long-term profitability lies in raising on-farm productivity.

agri benchmark contends that narrowing the enormous gap between the performance of the top and bottom sheep producers should be a priority in all major producing and exporting countries, including Australia.

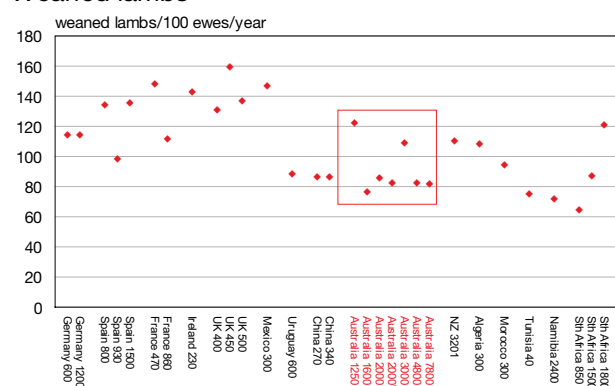
When compared to similar systems in competitor countries, Australian sheep farms are more diversified (mainly with wool and crops), have low losses, mortalities and wastage in the system, as well as above average growth rates and moderate to high meat production efficiency.

However, there appears room for further improvement in Australia's moderate reproductive rates – through nutritional management and genetics.

Germany



Weaned lambs



Source: *agri benchmark*

Farm numbers indicate number of ewes

What is *agri benchmark*?

agri benchmark is a global, non-profit and non-political network of agricultural economists, advisors, producers and specialists – multi-disciplined farm experts. The cattle and sheep network has 29 member countries, covering 90% of world beef production and 55% of world sheepmeat production.

The core competence of the network is the analysis of production systems, their economics, drivers and perspectives, and aims to assist:

- **producers and their organisations** to better understand future production through analysis of comparative performance and positioning;
- **non-profit organisations** (governments, NGOs, international organisations) to monitor and address global agricultural challenges; and
- **agribusinesses** to operate successfully through in-depth understanding of markets and customers.

Australian and New Zealand *agri benchmark* typical sheep farms:

AU 1250 (1250 ewes) – NSW slopes; Border leister X Merino, Dorset; sheep + crops

AU1600 – NSW Northern Tablelands; Merino, Dorset Merino; sheep + wool + cattle

AU2000 – NSW plains; Merino, Border Leister; sheep + crops

AU2000WA – WA low rainfall; Merino, Merino and Poll Dorset; sheep + crops

AU3000 – Western Victoria; Coopworth X Dorset

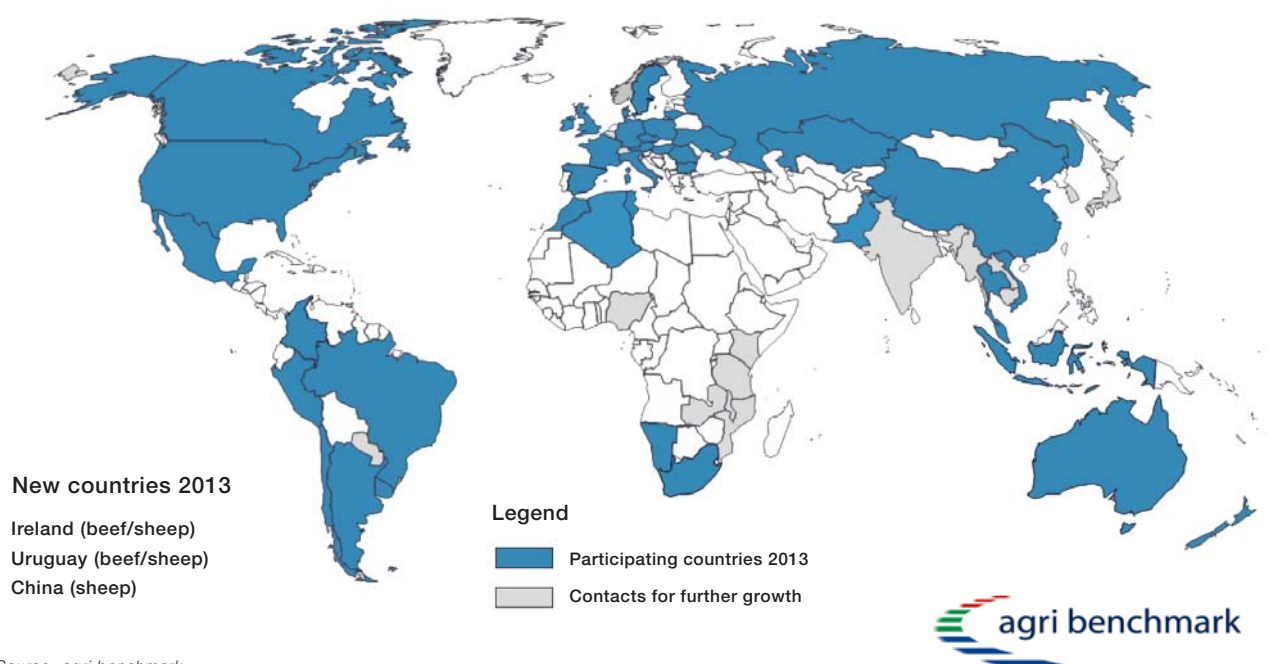
AU4800 – WA medium rainfall; Merino, Merino and Poll Dorset; sheep + crops

AU7800 – WA high rainfall; Merino, Merino and Poll Dorset; sheep + crops

NZ3200 – East coast North Island NZ; Romney; sheep + cattle

For more details see <http://www.agribenchmark.org/home.html>

Countries in the *agri benchmark* network



Source: *agri benchmark*