

Lamb future depends on supply solution

By PETER HENDERSON

AUSTRALIAN lamb producers are sitting pretty at the moment but the question is whether the high prices they are receiving will continue for them to boost production and meet growing global demand of the future.

If they can't meet the demand, there is a fear global lamb consumption would decline and lamb numbers would fall away like they had in the US in the past 60 years.

This was one of the messages Meat and Livestock Australia (MLA) managing director David Palmer delivered to the inaugural LambEx conference in Perth last week.

Mr Palmer posed the question about how many sheep would be needed by 2015 and who would meet the increased demand for lamb.

He said that before 1995 US lamb imports could be measured by carry-on luggage.

"In 1946 there were 64 million sheep in America," Mr Palmer said.

"Today there is less than 6m and this is the lesson for Australia.

"Sixty years ago Americans consumed eight pounds of lamb per head and today they consume less than half a kilogram (1.1lb).

"It's not that they don't like it they just can't find it.

"Unless you shop at Costco the average space allocated to lamb in the US is two linear feet for every 100 linear feet for beef.

"We must never let that happen here and we need to rectify availability in our key destinations."

Mr Palmer said that by 2009 Australian lamb exports had nearly quadrupled and the all important domestic market had seen modest volume movements matched by a 112 per cent increase in value.

"US, China and Middle Eastern markets all expanded proportionally to Australia's

LAMB FACTS

- ❑ In 2009 Australia exported 45 per cent of all lamb and 79pc of all mutton produced.
- ❑ A total of 431,566t of lamb and 215,405t of mutton was produced
- ❑ Lamb exports valued at \$975m
- ❑ Mutton exports valued at \$480m
- ❑ Estimated value of the Australian sheepmeat industry was \$4.4 billion
- ❑ In 2009 almost 70pc of Australian live sheep exports were from WA.

capacity to supply," he said.

"Restricted by archaic trade rules, Europe remained predictably flat."

Mr Palmer said rather than be fixated on one market, Australia had diversified with a product range and carcass weights that met a range of destinations.

"The swing out of wool was graphic as was the growth in lamb," he said.

Mr Palmer said Australia appeared to be alone in responding to the market signals.

"China and India are giants and are expanding but on every analysis their production will be consumed at home," he said.

"The only other significant world exporter was NZ whose production had increased a mere 2.4pc over the past 14 years."

He said forestry and dairy competition for land inhibited any future response from NZ lamb.

Mr Palmer said a static decline was perhaps the best description of traditional exporters and according to the international Food and Agricultural Organisation (FAO) Australia was expected to decline a further 1pc in 2015.

"We must prove this wrong," he said.

Mr Palmer said the FAO had also said that world consumption forecasts indicated a supply need of 1.6 million



❑ Meat and Livestock Australia managing director David Palmer posed the question to LambEx delegates about how many sheep would be needed by 2015 and who would meet the increased demand for lamb.

tonnes over the next six years.

"This is over and above what is currently produced," he said.

"But it is also estimated that 1.3m of those tonnes will be met by China and India and as I said, all to be consumed at home.

"So from an MLA perspective using the FAO forecasts and calling on the Centre for International Economics (CIE) in Canberra, who we use for some meat modelling purposes, we have forecast that the remaining 300,000t of growth potential or pent up demand in the market over the next six years can be met by Australia."

Mr Palmer said a growing affluent Islamic community, which preferred sheepmeat, a moderately recession proof north-east US and lamb lovers from China made for an exciting market environment.

He said the CIE model indicated there was also unfulfilled domestic demand.

"Over the next six years it has forecast through a combination of meeting additional and pre-existing demand and increased population in Australia that a further 70,000t is not out of contention," he said.

"This has all been modelled by CIE using today's prices.

"So adding it all up it comes

to 732,000t of expected demand for Australia and our key markets around the world."

This figure includes 432,000t of current production supplied and the 300,000t forecast by the FAO.

Mr Palmer discussed several scenarios of what Australian producers could do in the future with only one likely to meet the target.

This would involve a concerted effort with increased non-Merino ewes increasing the carcass weights again by 0.6kg a head per year with average marking rate increasing by 2pc a year, higher replacement rates for non-Merino ewe lambs and wether flocks being maintained.

"At June 2015 in this scenario the total flock would need to be at 82.7 million head and the breeding ewe flock would be at 51.6 million head of which 26.3m (51pc) are Merinos with the balance of 25.2m breeders being non-Merinos," he said.

"This is modelling based on what would be required to meet expected international demand expectations coupled to the unfulfilled and unrealised demand that still exists in the Australian market.

"This scenario gives the opportunity for Australia at today's prices to produce 732,000t of lamb."