AUSTRALIAN SHEEP AND WOOL UPDATE

AG ANSWERS
GROW WHAT YOU KNOW

Sheep meat production decreased
2.4%
in the last 12 months

National sheep flock decreased to
70.9
million in 2015

Trade lamb indicator reached
649
c/kg cwt for the first time since February 2011

While Western Australia received a March break to the season, eastern and southern states didn't get the break until May/June, which was just in time to promote some autumn pasture growth before winter set in.

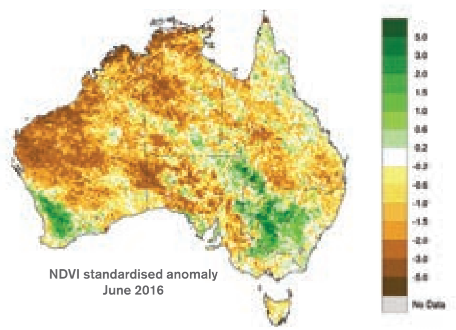
The Bureau's Normalised Difference Vegetation Index (NDVI) shows 'greener than normal' vegetation for June in the grazing areas of Victoria, central New South Wales and particularly in Western Australia's south west. Other areas are 'less green' compared to the June average. The season ahead looks promising, with wetter than normal conditions forecast for the three months ahead, particularly in the eastern states.

Sheep prices have reacted to recent rainfall, with the Eastern States Trade Lamb Indicator increasing by 9% during June.

The domestic lamb market is the industry's largest, however growth is stable at 10kg/capita. Larger growth opportunities exist in export markets such as the USA (up 30% YTD) and the Middle East (up 24% YTD). Lower lamb exports from New Zealand have assisted Australian lamb exporters recently. This is likely to continue as sheep numbers in New Zealand continue to trend lower. On a year-to-date comparison, total Australian live sheep exports are higher by 36%.

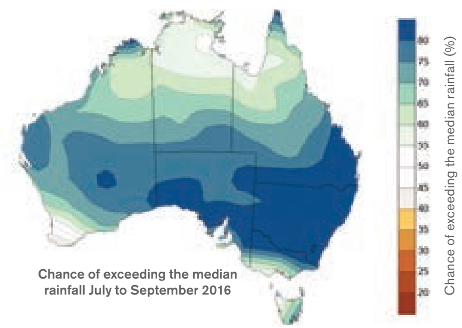
China remains Australia's key market for wool, accounting for approximately 75% of wool exported.

Vegetation: NDVI standardised anomaly



Source: Bureau of Meteorology

Rainfall: chance of exceeding the median



Source: Bureau of Meteorology

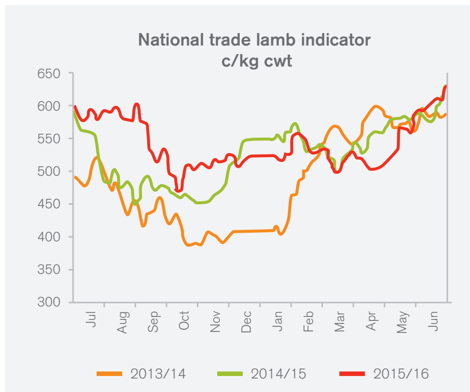
PRICE

	Current (11Jul)	July 2015	Five-year average	80th percentile	20th percentile
Trade Lamb 18-22kg (c/kg cwt)					
NSW	613	589	497	569	415
SA	571	543	481	536	413
TAS	573	610	489	549	421
VIC	635	586	494	561	429
WA	497	478	464	519	389
Wool (c/kg clean)					
Northern	1341	1250	1157	1273	1053
Eastern	1306	1263	1132	1242	1035
Western	1423	1287	1160	1273	1067
Australian dollar					
AUD/USD	0.75	0.77	0.91	1.04	0.77

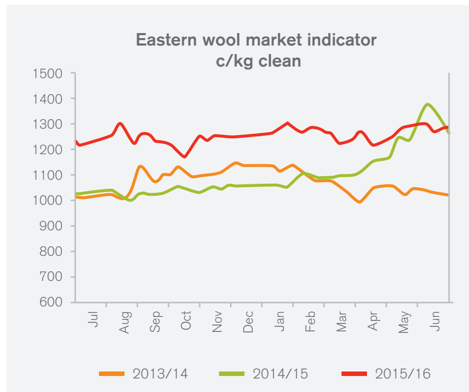
Data: Meat & Livestock Australia (MLA), Reserve Bank of Australia (RBA), Australian Wool Exchange (AWEX)

Australian lamb prices are expected to remain strong this year due to increasing export demand and confidence within the industry to rebuild stock numbers after a dry 2015/16 season. Current trade lamb prices are above the five-year 80th percentile in every state except Western Australia.

In 2015/16, wool prices across Australia maintained the gains made between April and June 2015. The indicator price for each region traded between 1200 and 1400 c/kg clean for the majority of the year, making it the most consistent 12-month period of the last five years. Current prices are well above the five-year 80th percentile for each region. The rise in price could be due in part to a decline in production in 2015/16.

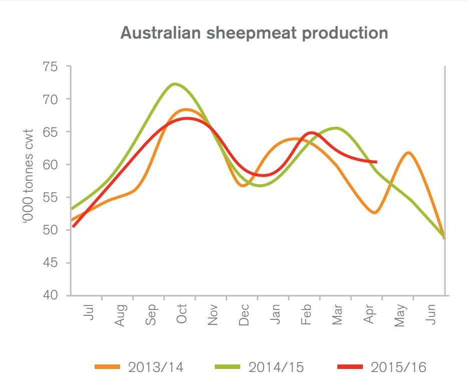


Data: MLA



Data: Australian Wool Exchange (AWEX)

PRODUCTION



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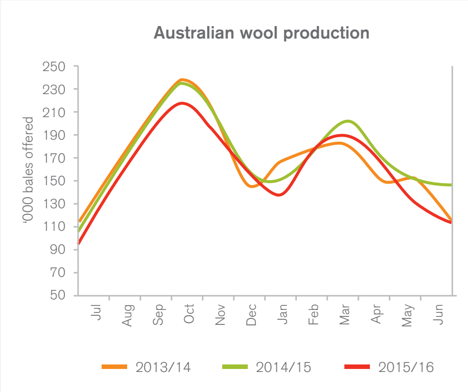
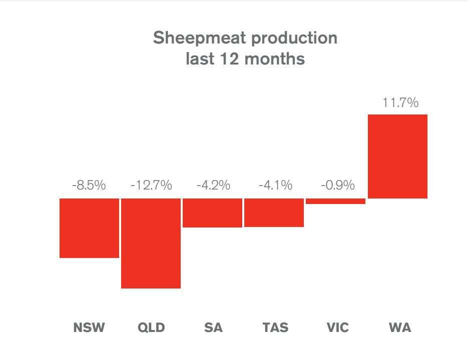


Data: Australian Wool Testing Authority (AWTA)



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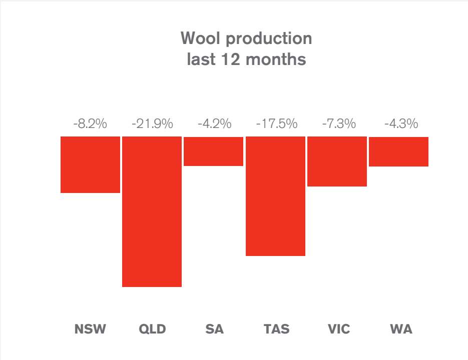


Data: AWTA

National sheep meat production decreased by 2.4% in the last 12 months, pulled down by a decline in mutton production. Meanwhile, national lamb production increased due to slightly higher slaughter rates and gains in carcass weights. Western Australia was the only state with increased mutton production over the last 12 months and lamb production increased significantly too.

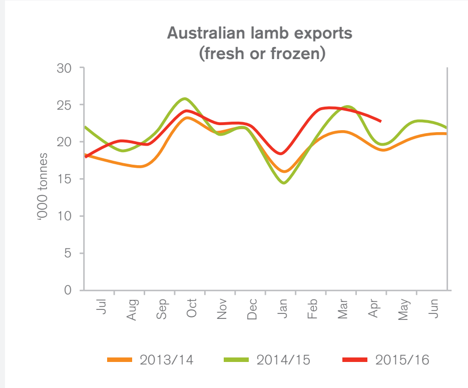
Wool production declined in the 2015/16 season. High turn-off of stock resulted in fewer sheep shorn and dry seasonal conditions contributed to lower fleece weights. These factors were more evident in parts of Queensland and Tasmania where drought conditions were particularly severe. Declining production was most apparent for medium micron wool.

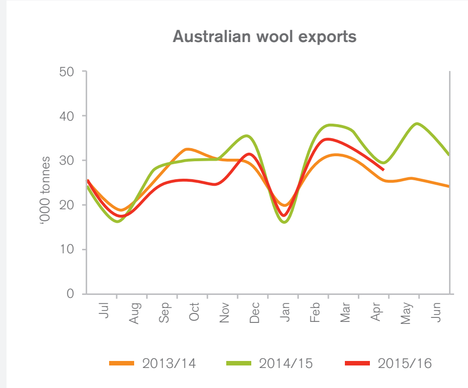
DEMAND

Lamb exports to the USA increased by
24%
in 2015

Domestic lamb consumption is
10
kg per capita per year

China accounts for
75%
of Australian wool exports





Data: Global Trade Information Services (GTIS)

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