

OCTOBER 2017

AUSTRALIAN SHEEP UPDATE



The national trade lamb indicator price averaged

604_{c/kg}
in Jul-Sep 2017

Sheep meat production in Jan-Aug 2017 is

0.7%
higher than 2016

The value of sheep meat exports is

24%
higher than 2016

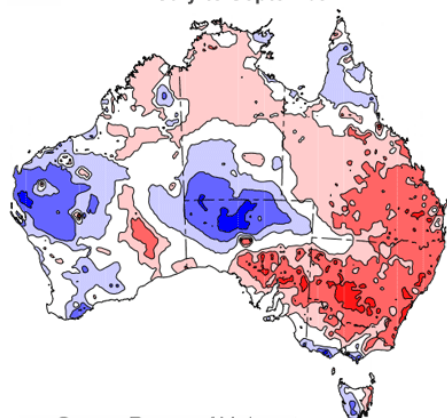
Prices for lamb fell dramatically in late June before steadying in July to September to average only 1.7% below the same period in 2016. Prices had been trending significantly higher due to tight supply which has since eased as dry conditions have led to increased turn-off of stock. The spring flush of new lambs is now affecting markets and will cause the usual seasonal decline in price and a rise in production.

Winter was poor for livestock producers in most parts of Australia with the driest winter recorded since 2002. The outlook is more positive with average to above average rainfall expected for the rest of the year driven by the Pacific Ocean trending towards La Nina. The Bureau of Meteorology is expecting October to be wetter

than average in eastern states and South Australia but dry in Western Australia. Temperatures are still likely to be warmer than average.

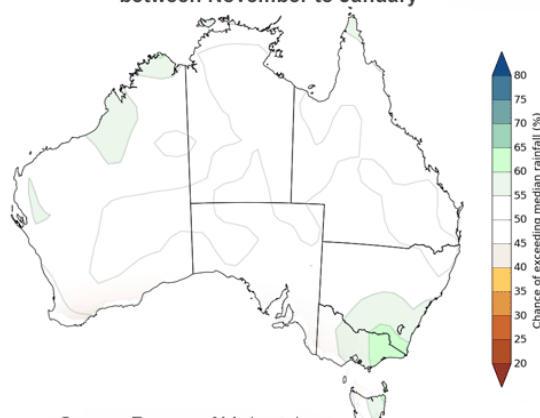
The value of sheep meat exports has trended higher this year as strong gains in export unit prices offset slightly lower volumes. The value of lamb exports to China has increased 61%, with improved unit prices adding to a 31% increase in volume. South Korea is also showing significant growth with export value more than doubling this year as lamb skewer outlets grow in popularity. This market still only accounts for 5% of export value. The US continues to be the major market with value up 8%.

Recent rainfall decile ranges for July to September



Source: Bureau of Meteorology

Rainfall: chance of exceeding the median between November to January



Source: Bureau of Meteorology

PRICE

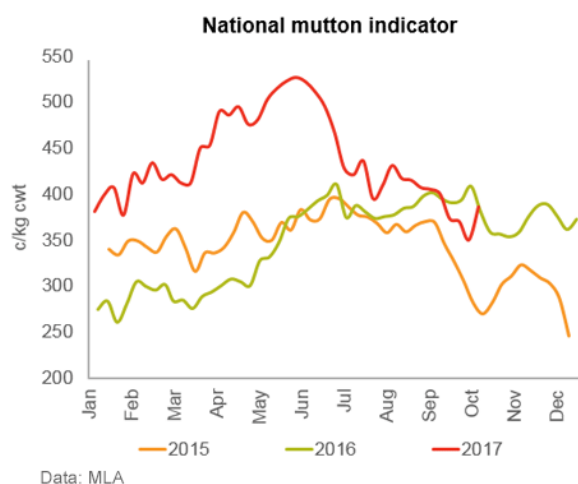
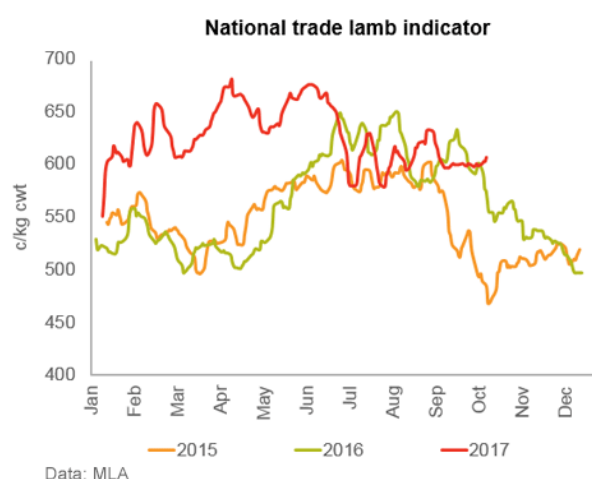
	Current (13th October)	October 2016	Five-year average	80th percentile	20th percentile
National saleyard indicator prices (c/kg cwt)					
Trade lamb	606	575	521	598	438
Mutton	386	381	318	387	230
Trade lambs (c/kg cwt)					
NSW	612	554	526	599	448
SA	585	562	501	561	437
TAS	606	623	519	582	466
VIC	602	552	525	598	440
WA	550	448	476	544	396
Australian retail price (\$/kg)					
Lamb	15.01	14.41	13.57	14.41	12.53
Australian dollar					
AUD/USD	0.78	0.76	0.84	0.94	0.75

Lamb prices had been volatile from July to mid-September before being very steady for the last month, showing resilience amidst increased production levels. Prices for all categories of lamb have declined in the last three months with restocker lambs showing the largest decline.

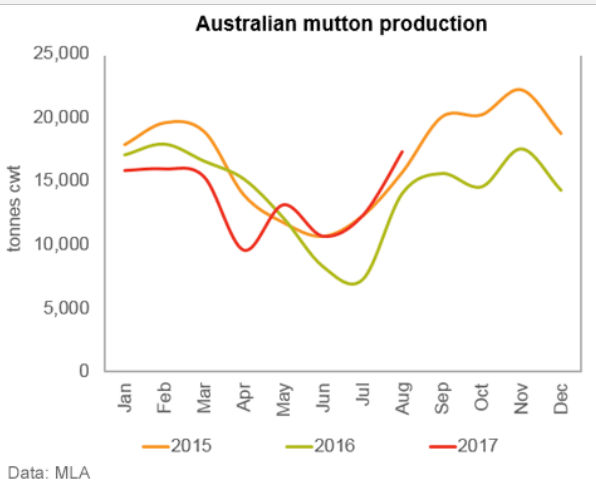
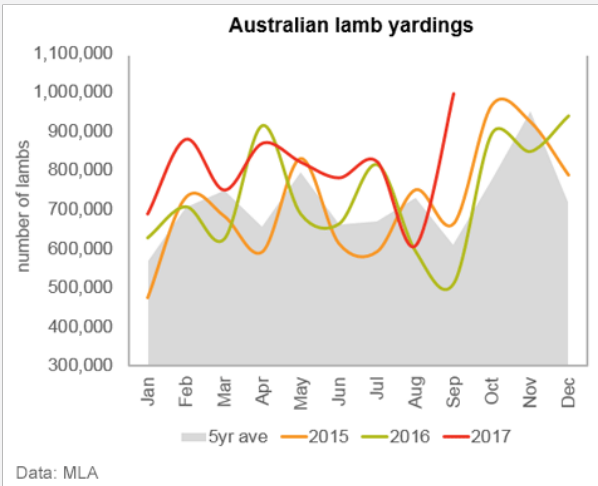
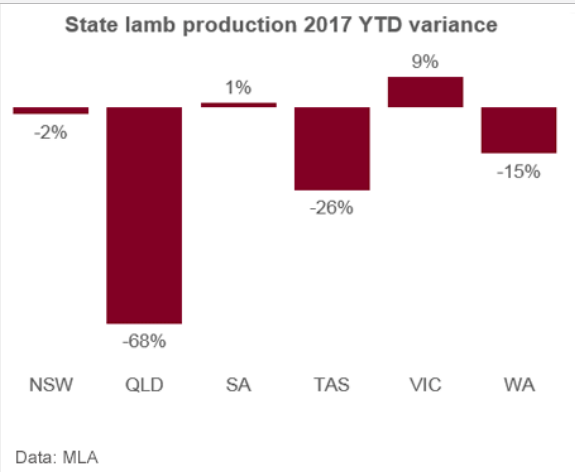
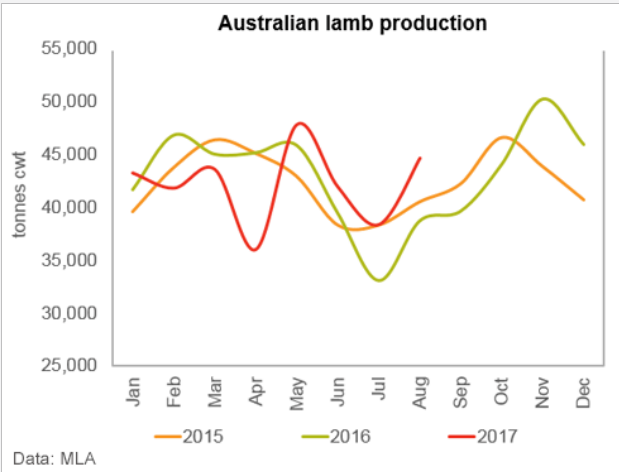
Mutton prices experienced the same decline as lamb prices in late June. Dry conditions have led producers to turn off some older stock, easing

some of the tight supply pressure.

In the last five years, the national trade lamb indicator (NTLI) has averaged an 8% drop in October and 2% drop in November due to increased supply during spring. An average seasonal decline would see the NTLI fall to an average of 545c/kg in November.



PRODUCTION



Lamb production from May to August has been 10% higher than the same period in 2016 as dry conditions have led to increased slaughter. For the year to July, lamb slaughter is 2% below 2016 and production is 0.4% lower, partially offset by a 2.6% increase in average carcass weights. Slaughter rates are expected to trend upwards in October and November as new season lambs are finished. Poor feed conditions during winter will have affected growing rates which could result in lambs being finished later.

Mutton production also increased dramatically from May to August. Production during this period was 28% higher than 2016 due to increased turn-off of older stock. This came after production for the first four months of the year was 15% lower than 2016. Producers will be looking to hold younger ewes and ewe lambs to increase flock sizes if seasonal conditions allow.

TRADE & DEMAND

The value of lamb exports
in 2017 is

20.4%

above Jan-Aug 2016

The value of mutton
exports in 2017 is

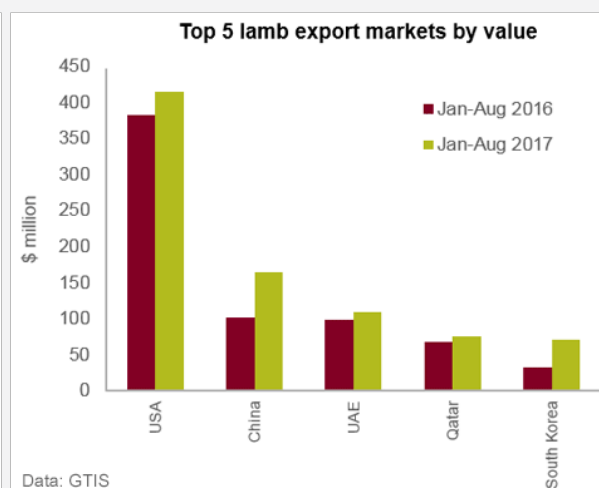
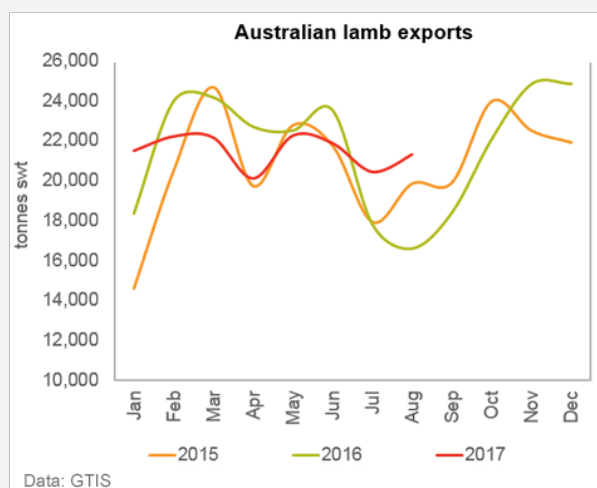
33.7%

above Jan-Aug 2016

The volume of live sheep
exports in 2017 is

10.7%

below Jan-Aug 2016



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