The sheep and sheep meat trade market

Second EU Sheep Meat Forum
Brussels, February 25, 2016
Partnering your agribusiness development

- 45 years
- Focused on agribusiness
- Worldwide coverage
- Experts in the 5 continents
GMC: Comprehensive Global Coverage

REGIONAL MARKET INSIGHTS, DATA & FORECASTS BY SPECIES
Socio-economic assumptions – Pig – Poultry – Beef – Sheepmeat

GMC: Comprehensive Global Coverage

GLOBAL SYNTHESIS
Socio-economics – Production – Consumption – Trade – Prices – Industrial developments
Total Meat | Global Pigmeat | Global Poultry | Global Beef | Global Sheepmeat
Agenda

- International trade in sheep & goat meat
- Production issues
- The profitability problem
Sheep & goat meat trade rose from c. 0.5 mio t in 1961 to 1.2 mio in 2013 (CAGR +1.8%)
Meat international trade developments

The share of meat production which is traded increased, except for sheep and goat meat

<table>
<thead>
<tr>
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<th>1961</th>
<th>2013</th>
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<tbody>
<tr>
<td>Beef</td>
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<td>Pork</td>
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<td>Poultry meat</td>
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<td>Sheep &amp; goat meat</td>
<td>2%</td>
<td>8%</td>
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Source: Gira, based on FAO
Supply: sheep & goat meat exporters

AU & NZ accounting for >90% of world exports

- CAGRs: AU +2.1% - NZ -0.2%
- No other significant exporter has emerged (yet?)
Basically 2 exporters

Facing profitability and climatic issues

- Declining flocks
  - AU: -3.7%/year
  - NZ: -2.8%/year

- Sheepmeat production
  - AU: slightly rising: +0.3%/year
    - Changing orientation from wool to meat
  - NZ: -0.4%/year
    - Better alternative productions

- Exports
  - AU: +2.1%/year
    - % of production: from 40% to 64%
  - NZ: +0.5%/year
    - % of production: >90% (stocks?)

- Sharp flock productivity improvements
- Impact of droughts on production + exports
Lamb/mutton split

More lamb and less mutton as AU flock switches from wool to meat focus

Shares of lamb vs. mutton in sheep meat trade, 1990-2015, '000 t cwe

Source: Gira compilations
Sheepmeat demand

*Quite flat, except in China and Russia*

Sheep meat expenditure index, 2004-2016f (2004 local currencies)

Based on 2004 producer prices

* Expenditure = producer prices x total consumption
  Weighted (consumption) averages

Source: GIRA GMC 2015

* Expenditure = producer prices x total consumption
  Weighted (consumption) averages
Demand: sheep & goat meat importers

Not a very dynamic demand market: sheepmeat trade is more supply-driven than demand-driven

- CAGRs: EU: -1.3% - US/CA: +6.3% - MENA: +0.5% - CN: +11.5%
- CN developments: opportunities for other world exporters? Volatility → dependency risks
Live imports often exceeded sheep & goat meat imports in the mid 1990s

Sharply declined since
  • Less supplies
  • AW restrictions in exporting countries
  • But demand remained buoyant in MENA

Still accounting for 25-35% of total shoat and shoat meat imports in the area

AU major supplier

Others
  • Horn of Africa (Sudan, Somalia)
  • EU
Sheepmeat trade flows, 2015

Flows in '000 t cwe

- 10
- 50
- 100
- > 200

Net importer

Net exporter
Sheep & goat flocks

Most of world flock in developing countries

- Generally hardy multipurpose breeds: wool, dairy and meat
  - Hard data is frequently lacking
Mostly for subsistence and/or local trade

Sheep & goat flocks

*With few exceptions, highest numbers/capita in developing countries*

Sheep and goat flock to population ratio, 2010/14 (sheep & goat head/capita, FAO data)
Sheep & goat flock growth

Concentrated in developing countries

Long term flock growth mainly in Africa and Asia

But falling in the traditional meat market oriented countries
Sheep & goat meat production

Few countries producing more than 0.1 mio tonnes

Data issues

Productivity issues in many countries

- In many countries, sheep meat is not part of a structured market economy
- Mostly informal slaughters

Sheep and goat meat production, 2013 (FAO data)
Sheep & goat meat production

Little growth in the traditional meat industry countries

- AU & NZ, EU, US, RU
- CN (& IN) major exceptions

Sheep and goat meat production CAGR from 1990/93 to 2010/13 (FAO data)
A serious profitability issue…
Sheepmeat producer price trend
Flat in AU/NZ and EU

Sheepmeat producer prices indices, 2004-2016f (2004 = 100 in local currencies)

Based on 2004 producer prices
Weighted (consumption) averages

Source: GIRA GMC 2015
Trade of other sheep & goat products

Volatility is the rule

- Sharp decline in wool trade – competition from synthetic fibres. Poor wool prices
- Rising trade in sheep skins
  - But (very) high volatility … and declining prices
Sheep meat vs dairy industry

Same situation of no price/unit gains over time

Indices of deflated milk prices in local currencies, 2006-2015 (2006 = 100)

Volatility 9%
Volatility 14%
Volatility 15%
Volatility 21%

Source: Gira compilations

Economic gains to be made through efficiency