



Sheep Notes

Newsletter of the Department of Agriculture and Food, Western Australia

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Summary

- There were 14.4 million sheep and lambs in Western Australia in mid-2014 including 8.0 million breeding ewes.
- Total turn-off in 2014/15 is projected to reach 5.4 million putting downward pressure on the flock. Turn-off includes 2.3 million lambs slaughtered, 1.3 million sheep slaughtered for mutton, and 1.8 million sheep exported live.
- The main lamb and mutton over-the-hooks indicators averaged 60-65 cents higher in 2014/15 than in 2013/14. In June 2015;
 - The heavy lamb over-the-hooks indicator – averaged 560 cents;
 - The mutton over-the-hooks indicator – averaged 285 cents.
- Live export wether quotations in 2014/15 averaged \$91 per head, \$12 higher than in the previous year.
- In 2014/15, the Western Market Indicator (WMI for wool) averaged 1132 cents, 34 cents higher than in 2013/14. However, the premium for finer wool remains low with the 19 micron price guide just 8% higher than the WMI compared to an average closer to 20% in earlier years.
- The surge in the value of sheep meat exports seen in 2013/14 has continued in 2014/15 as an increase in the average price offsets a decline in volume resulting in total export value of ~\$317 million free on board (FOB).
- A 1% increase in the number of live sheep exported plus a 15% increase in the average wether price has increased the export value of live sheep by 21% in 2014/15.

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List of abbreviations

Australian Bureau of Statistics	ABS	Free on board	FOB
Australian dollar	AUD	Meat and Livestock Australia	MLA
Australian Wool Exchange	AWEX	National Livestock Reporting Service	NLRS
Australian Wool Testing Authority	AWTA	Over the hooks indicator	OTHI
carcase equivalents	ceq	Sale yard indicator	SYI
Department of Agriculture and Food, Western Australia	DAFWA	Western Market Indicator	WMI
European Union	EU	Western Australia	WA

Flock size and dynamics

After a couple of decades of decline, the Western Australian sheep flock appears to have stabilised between 14 and 15 million head (Figure 1). The Australian Bureau of Statistics estimates that the Western Australian sheep population at 30 June 2014 was 14.4 million sheep and lambs including 8.0 million breeding ewes.

Following the drought sell-down of 2010/11, turn-off fell to the lowest level for more than two decades, 4.4 million head, but since 2011/12 has been slowly rising to again put downward pressure on the state flock. In 2013/14, turn-off reached 5.9 million and in the first ten months of 2014/15 has totalled 4.7 million and is expected to top 5.4 million for the full year.

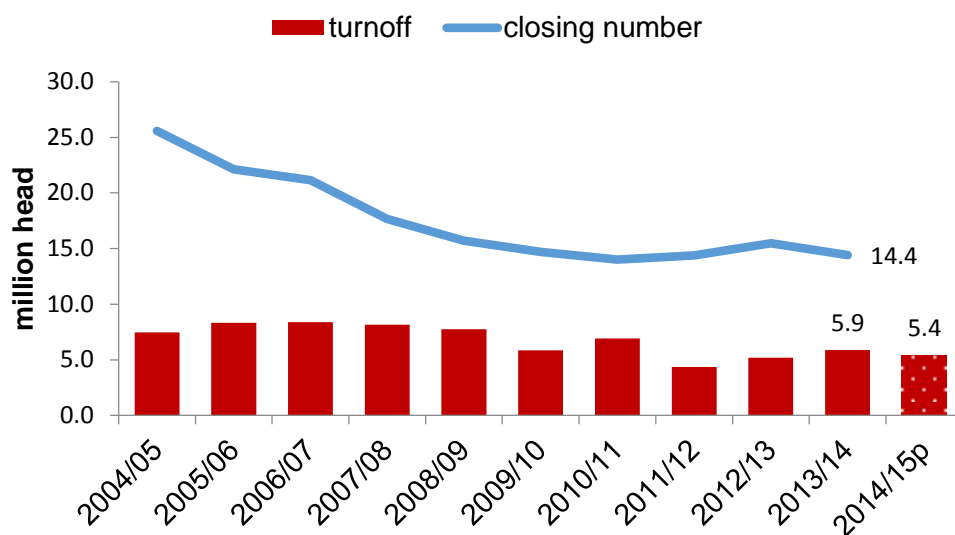


Figure 1 Closing number of sheep and lambs, and total turn-off for WA (Based on ABS data, analysed by DAFWA)¹

Slaughter numbers

Between July and May 2014/15 lamb slaughter reached 2.16 million head. Whilst still relatively strong, this is a decrease of 4% relative to the same time period in 2013/14. A 4% decrease in total lamb slaughter would result in a total of 2.3 million lambs processed for the financial year 2014/15 (Table 1).

Sheep slaughter has also decreased during this financial year. It has fallen from 1.51 million head between July and May 2013/14 to 1.27 million head in the same months of 2014/15, a decrease of 16% year on year.

Table 1 Number of sheep and lambs slaughtered (million head) in Western Australia (Based on ABS data, analysed by DAFWA)¹

Year	2012/13	2013/14	July-May 2013/14	July-May 2014/15	2014/15p	Change
Sheep	1.43	1.56	1.51	1.27	1.31	-16%
Lambs	1.91	2.39	2.24	2.16	2.30	-4%
Total	3.34	3.95	3.76	3.43	3.61	-9%

¹ 2014/15p is the projected full year figure assuming the year to date change applies to the full year.

Nationally sheep slaughter is down 10% while lamb slaughter is 4% higher in 2014/15 compared to the same period (first eleven months) in the previous year (Table 2).

Table 2 Number of sheep and lambs slaughtered (million head) in Australia (Based on ABS data, analysed by DAFWA)²

Year	2012/13	2013/14	July-May 2013/14	July-May 2014/15	2014/15p	Change
Sheep	8.19	10.07	9.48	8.56	9.10	-10%
Lambs	21.12	21.90	20.28	21.12	22.81	4%
Total	29.31	31.97	29.76	29.69	31.90	0%

Live sheep export

The general decrease in the number of sheep exported live in recent years has been reversed during the 2014/15 financial year in WA with an increase of 1% year on year between July and May from 1.68 million head in 2013/14 to 1.70 million head in 2014/15 (Table 3). If WA continues to export live sheep at this rate, 1.81 million head are projected to be exported for the financial year 2014/15. This partly offsets the reported reduction in sheep slaughter and meat exports.

This trend in live exports is repeated for Australia as a whole with an increase of 8% year on year from 1.90 million head in 2013/14 to 2.05 million head in 2014/15 for the July to May periods.

Table 3 Quantity of live sheep exported in million head (Based on ABS data, analysed by DAFWA)²

Year	2012/13	2013/14	July-May 2013/14	July-May 2014/15	2014/15p	Change
WA	1.72	1.78	1.68	1.70	1.81	1%
Australia	2.06	2.02	1.90	2.05	2.18	8%

Interstate movements

In some years, lower sheep prices in Western Australia compared to eastern Australia result in processors and/or re-stockers transporting sheep and/or lambs across the Nullarbor. The Ceduna quarantine check-point advises that just 34 100 sheep and 8400 lambs were transported east in 2014/15. This represents just over a quarter of the number reported for 2013/14 and lower than each of the previous five years.

Flock projection

The table below shows that with an opening flock of 14.4 million sheep, and average lambing, the state flock is likely to fall further over 2014/15 (Table 4). While total turn-off is projected to be around 0.4 million less than in 2013/14, this difference is insufficient to offset the expected lower number of ewes mated and thus the lower number of lambs marked.

To achieve steady state, that is no change in the flock size, marking rates would have to rise to 94%, or total turn-off stay below 4.9 million.

² 2014/15p is the projected full year figure assuming the year to date change applies to the full year.

Table 4 Flock projection for Western Australia, 2014/15. (DAFWA analysis)

Opening number of sheep	14.4 million †
Number of ewes joined	6.8 million ^
Marking rate	87% ^
Lambs marked (est.)	5.9 million ^
Turn off	
Lambs slaughtered	2.3 million ^
Sheep slaughtered	1.3 million ^
Live exports	1.8 million ^
Interstate movements	< 0.1 million ^
Total turn off (est.)	5.4 million
Losses on farm (~7%)	1.0 million ^
Closing number of sheep (est.)	13.9 million ^ (-3.5%)

† ABS estimate

^ DAFWA estimate

Wool production

As demonstrated in Table 5, wool receivals for the nine months July to March, for Western Australia, decreased 12% from 66 million kilograms (kg) in 2013/14 to 58 million kg in 2014/15. This may in part be due to the high turn-off rates during 2013/14 resulting in a reduction in the sheep flock going into 2014/15.

Table 5 Wool receivals (million kg greasy) (Based on ABS data, analysed by DAFWA)³

Year	2012/13	2013/14	Jul-Mar 2013/14	Jul-Mar 2014/15	2014/15p	Change
WA	75	80	66	58	70	-12%
Australia	361	350	281	285	355	2%

Due to the current strength of the wool market, receivals for the final quarter of 2014/15 can be expected to increase above trend as producers move on-farm stored wool to store and, where feasible, bring forward shearing.

This expected surge in volume can be seen in the Australian Wool Testing Authority (AWTA) key test data for Western Australia. While test volumes for 2014/15 to the end of March were 8.3% lower than in the same period in 2013/14, AWTA tested 13%, 39% and 49% more wool in April, May and June 2015 respectively, than in the corresponding months in 2014.

While the tested volume has recovered to end the year at 4.5% lower, the average fibre diameter of 19.6 micron reported by AWTA is 0.5 micron lower than in 2013/14 indicating generally tougher conditions and lower fleece weights.

³2014/15p is the projected full year figure assuming the year to date change applies to the full year.

Prices

The following table shows for seven main sheep industry indicators; their average during June 2015, the percentile⁴ for that June value, and the first and third quartile⁵ values for the last ten years. Overall, sheep industry prices finished 2014/15 in a strong position with all the listed indicators except saleyard mutton above the third quartile, that is the June 2015 value was higher than it was in three quarters of the months of the last ten years.

The heavy lamb over-the-hooks indicator and Western Market Indicator for wool have each finished 2014/15 in a very strong position with percentiles of 95 and 98 respectively. The mutton indicators, while still above the average for the last ten years, remain below the highs achieved during 2011 and the first half of 2012.

Table 6 The June 2015 average and percentile, plus the first and third quartile values for the main sheep industry market indicators for WA (Based on data from the National Livestock Reporting Service and Australian Wool Exchange, analysed by DAFWA)

Indicator	June 2015 average	Percentile	1 st quartile	3 rd quartile
Heavy lamb (over-the-hooks) (cents/kg carcass weight)	560	95	332	481
Heavy lamb (sale yard) (cents/kg carcass weight)	524	89	306	478
Mutton (over-the-hooks) (cents/kg carcass weight)	285	79	120	270
Mutton (sale yard) (cents/kg carcass weight)	257	63	141	303
Export wether quotation (\$/head)	99	78	59	98
AWEX Western Market Indicator (cents/kg clean)	1358	98	831	1113
AWEX 19 micron price guide (cents/kg clean)	1367	86	1016	1248

Heavy lamb indicator

Both heavy lamb indicators show a marked seasonal pattern with prices higher than the annual average during June and July, and lower than average between September and December (Figure 2). The saleyard indicator tends to be higher than the over-the-hooks indicator when prices are high (June, July) and lower when prices are below average (September through December).

In 2014/15, the over-the-hooks and saleyard heavy lamb indicators averaged 65-70 cents higher than they averaged in 2013/14. While variable within and between years, there continues to be a generally upward trend in lamb prices.

⁴ Percentiles report the proportion of a list of measurements that are at or below a specific value. The percentiles presented in this report indicate the proportion of months over the ten years to June 2015 when the average monthly price was less than or equal to the current price. For example, 90th percentile indicates the price that is higher than the price in 90% of months.

⁵ The first and third quartile values are the 25th and 75th percentile respectively.

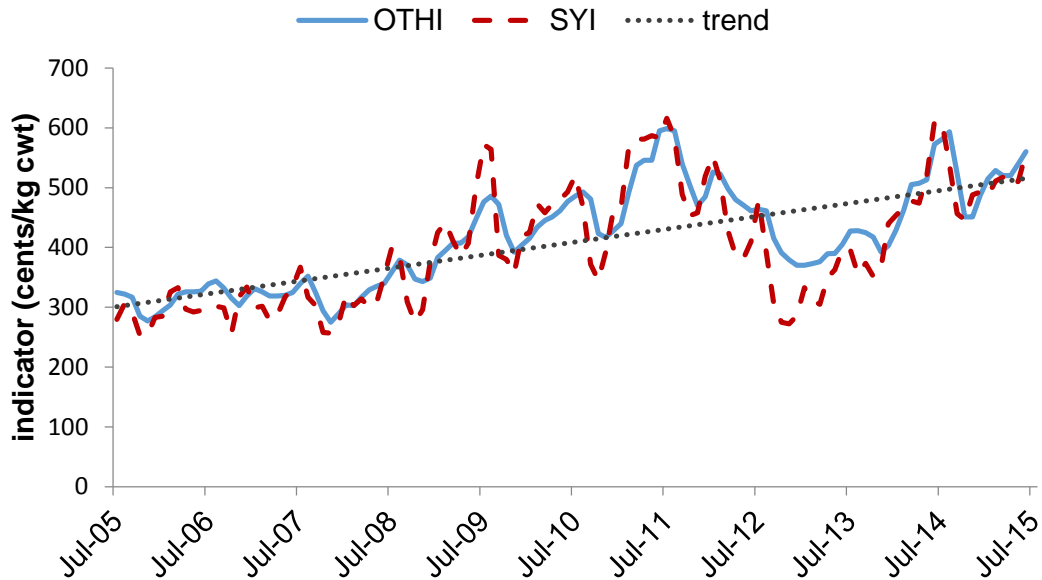


Figure 2 WA over the hooks indicator (OTHI) and saleyard indicator (SYI) for heavy lambs (22kg+ carcass weight) (Based on data from MLA's National Livestock Reporting Service, analysed by DAFWA)

Mutton indicator

The seasonality of the over the hooks mutton price is less pronounced than that of the saleyard price. Over the last ten years, the over the hooks indicator has been statistically a little higher in June and a little lower in November than the annual average. The saleyard indicator while also higher than average in June, tends to be below average in the four months September through December. However, this seasonality of the indicators does not mean that the saleyard indicator is lower than the over the hooks indicator in those low months. Figure 3 clearly shows this is not always, or even often, the case.

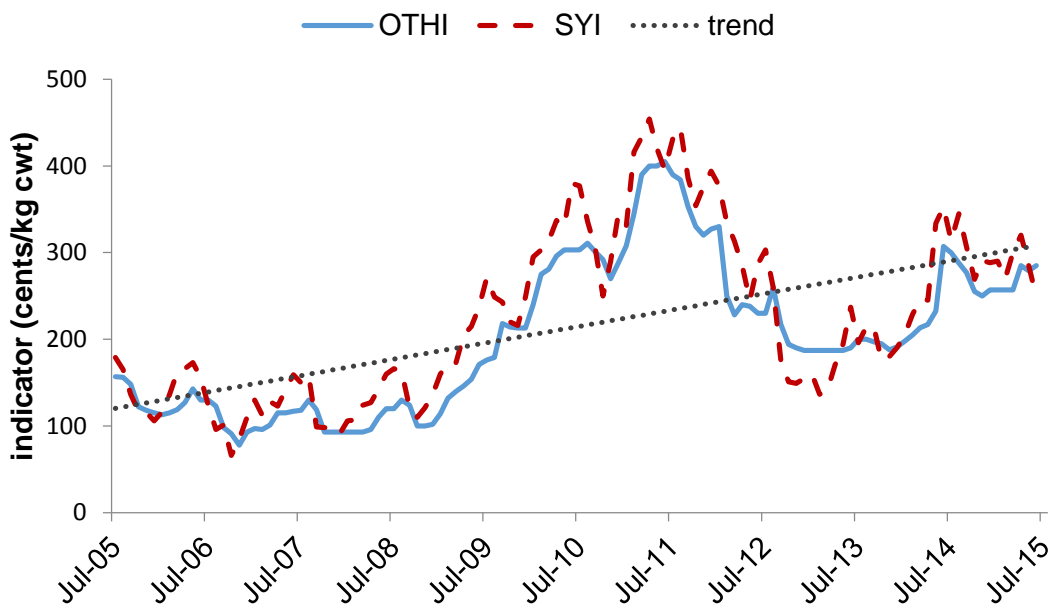


Figure 3 WA over the hooks indicator (OTHI) and sale yard indicator (SYI) for mutton (18-24kg carcass weight) (Based on data from MLA's National Livestock Reporting Service, analysed by DAFWA)

In 2014/15, the saleyard mutton indicator averaged 295 cents while the over the hooks indicator averaged 271 cents/kg carcase weight. Both indicators were around 60 cents higher than they were in 2013/14. Mutton prices over the last ten years have trended upwards, though with very large swings between years. While not at the stellar level seen in 2011, 2014/15 prices are on trend and above the late 2012 and 2013 levels.

Live export quotation

Live export wether quotations are reported by MLA’s National Livestock Reporting Service (Figure 4). They follow a seasonal pattern similar to that reported for mutton. Prices tend to be above the annual average in May and June, and below in September through January with the largest discounts in October and November.

In 2014/15, the wether price averaged \$91 per head, an increase of \$12 per head on 2013/14. While the wether quotation in 2014/15 is above the ten year average, it remains below the highs reported in 2011 and early 2012, and a little below the trend line.

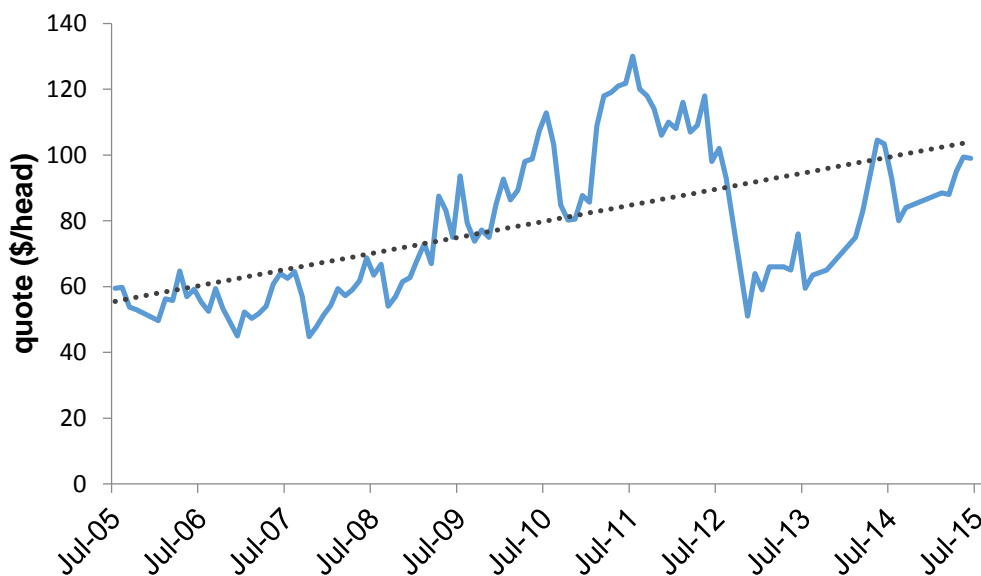


Figure 4 Quotations for live export wethers (Based on data from MLA’s National Livestock Reporting Service, analysed by DAFWA)

Wool price

In the space of five months between September 2014 and January 2015, the Australian dollar has devalued significantly against the US dollar falling from over 90 cents to below the 80 cent mark. This is beneficial for the majority of Australian agricultural products due to the heavy reliance on global markets, as the lower Australian dollar makes them more competitive in overseas markets. For wool, this is especially important as Western Australia in effect exports 100% of its clip.

Figure 5 demonstrates this using the Western Market Indicator (WMI). The blue solid line representing the WMI in Australian cents has been increasing over the last 12 months; however prior to April 2015, the WMI in US cents (red dashed line), has been decreasing, making wool more affordable in markets that trade in US dollars. Since April 2015, the rising price has more than compensated for the lower Australian dollar.

These high prices are partly attributed to increased demand brought about by a more relaxed lending and credit atmosphere in China, and partly due to reduced supply due to lower sheep numbers in producing countries.

In 2014/15, the WMI averaged 1132 cents (Australian) per kg clean, an increase of 34 cents on the 2013/14 average. Prices tend to be lower than the annual average between July and October. Wool sourced by processors during this time of the year is mostly delivered too late to be used for the northern hemisphere autumn/winter retail season.

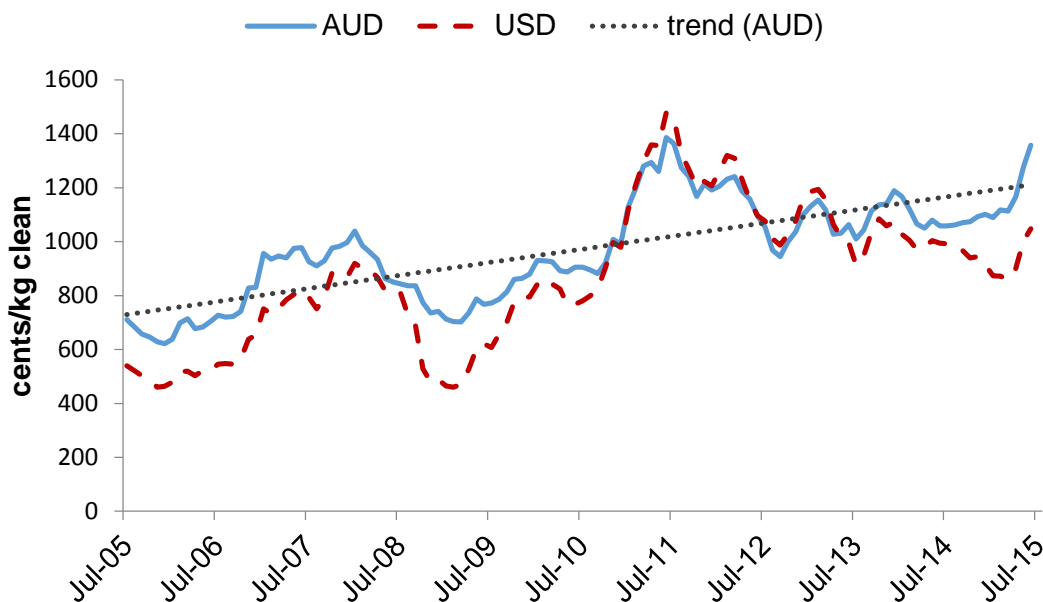


Figure 5 Time series for the Western Market Indicator in Australian and US dollars (Based on data from Australian Wool Exchange, analysed by DAFWA)

The 19 micron price guide and the Western Market Indicator continued to follow very similar paths during the 2014/15 financial year (Figure 6). The premium for 19 micron wool relative to the WMI remains low at around 8% relative to earlier years when it has been closer to 20%.

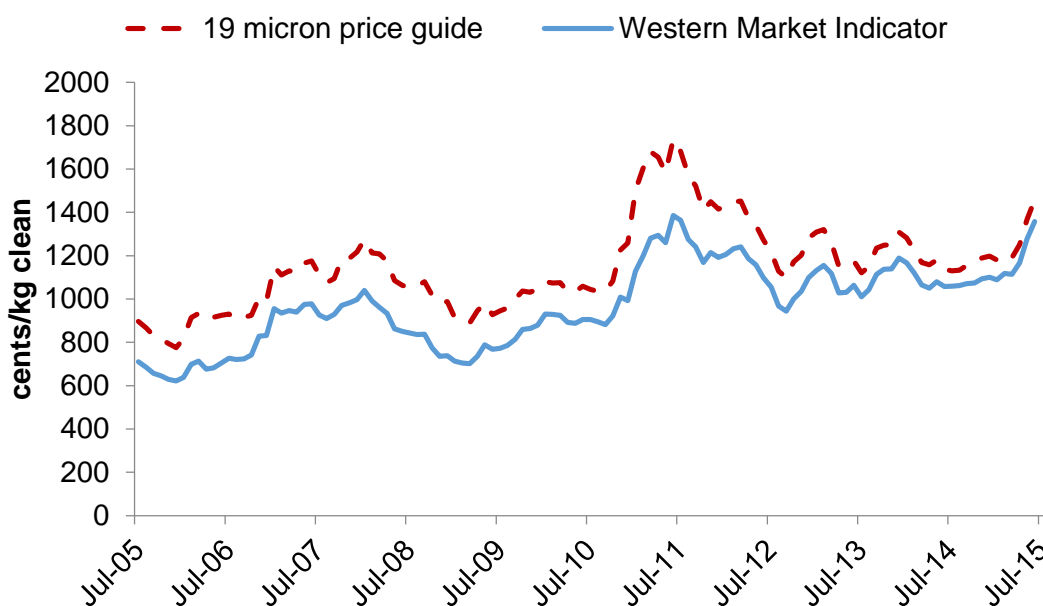


Figure 6 Time series for the 19 micron price guide and Western Market Indicator (Based on data from Australian Wool Exchange, analysed by DAFWA)

Quantity of exports

Sheep meat

Whereas the amount of sheep meat exported between July and May 2014/15 has decreased 11% to 58.1 million kg compared to the same period in 2013/14 (Table 7), it still remains higher than it has been for the same period in any other year since 2008/09. Between 2009 and 2012 the amount of sheep meat exported per year fell dramatically, but since 2012 appears to have recovered, reaching levels similar to those reached in the mid 2000's.

Table 7 Volume of sheep meat exported from WA in million kg (as carcase equivalents) per year (Based on ABS data, analysed by DAFWA)⁶

Year	2012/13	2013/14	July-May 2013/14	July-May 2014/15	2014/15p	Change
Mutton	29.8	35.1	33.2	29.9	31.5	-10%
Lamb	23.5	34.5	32.0	28.2	30.5	-12%
Total	53.3	69.6	65.2	58.1	62.0	-11%

Table 8 Volume of sheep meats exported from Australia in million kg (as carcase equivalents) per year (Based on ABS data, analysed by DAFWA)⁶

Year	2012/13	2013/14	July-May 2013/14	July-May 2014/15	2014/15p	Change
Mutton	186.3	219.5	204.1	199.8	195.6	-2%
Lamb	240.4	273.6	248.3	274.6	302.5	11%
Total	426.7	493.1	452.4	474.3	498.1	5%

The largest market for sheep meat from WA in recent years has been China. 20% of Western Australian sheep meat was exported to China during the financial year 2013/14 and this has risen to 22% during the first 11 months of 2014/15.

China has been a rapidly growing market whose intake of sheep meat has increased from 5044 tonnes in 2010/11 to 13 875 tonnes in 2013/14, an increase of 175%, and so far for 2014/15 (July to May) has already surpassed 12 891 tonnes (Figure 8).

⁶ 2014/15p is the projected full year figure assuming the year to date change applies to the full year.

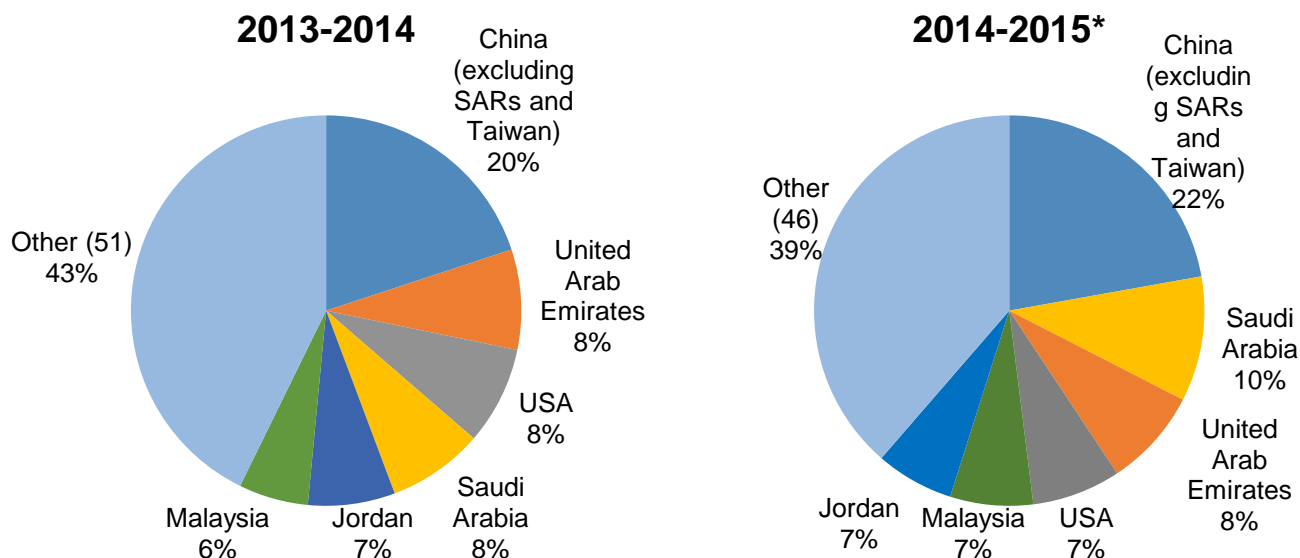


Figure 7 Proportion of WA sheep meat exported to major markets by volume (ceq) during 2013/14 and the first 11 months of 2014/15 (Based on ABS data, analysed by DAFWA).

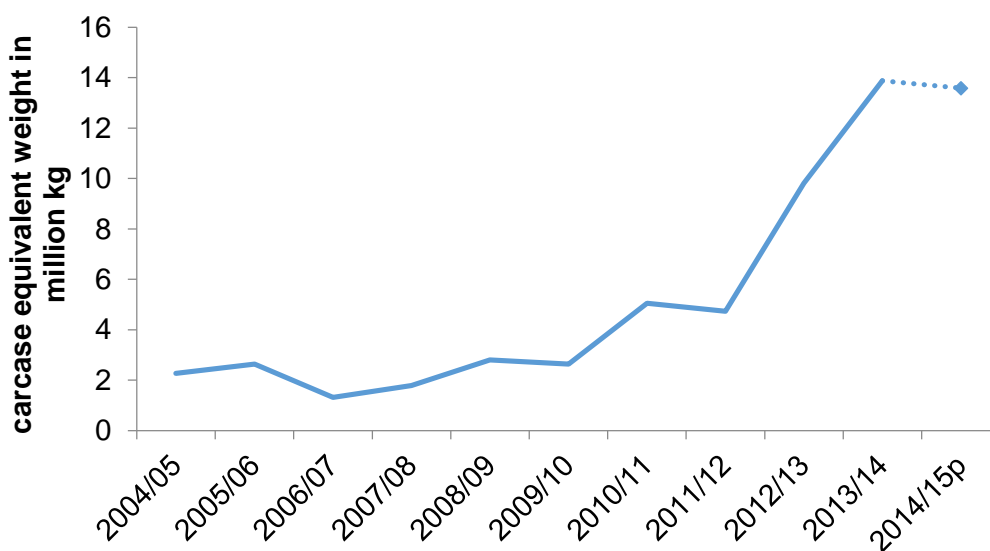


Figure 8 Volume of sheep meat exported to China in million kg (carcase equivalent weight) per year (Based on ABS data, analysed by DAFWA)

Live sheep export

As stated earlier in the report, live sheep exports from Western Australia have increased 1% to the end of May and are projected to total almost 1.81 million in 2014/15.

Western Australia's largest market for live sheep is Kuwait as it has been since 2005/06. During the 2013/14 financial year, 39% of Western Australia's live sheep were exported to Kuwait (Figure 9). The second largest market in recent years has been Qatar to which WA exported 23% of the total live sheep exported during 2013/14. Apart from 2010/11, live exports to Qatar have been generally increasing since 2005/06.

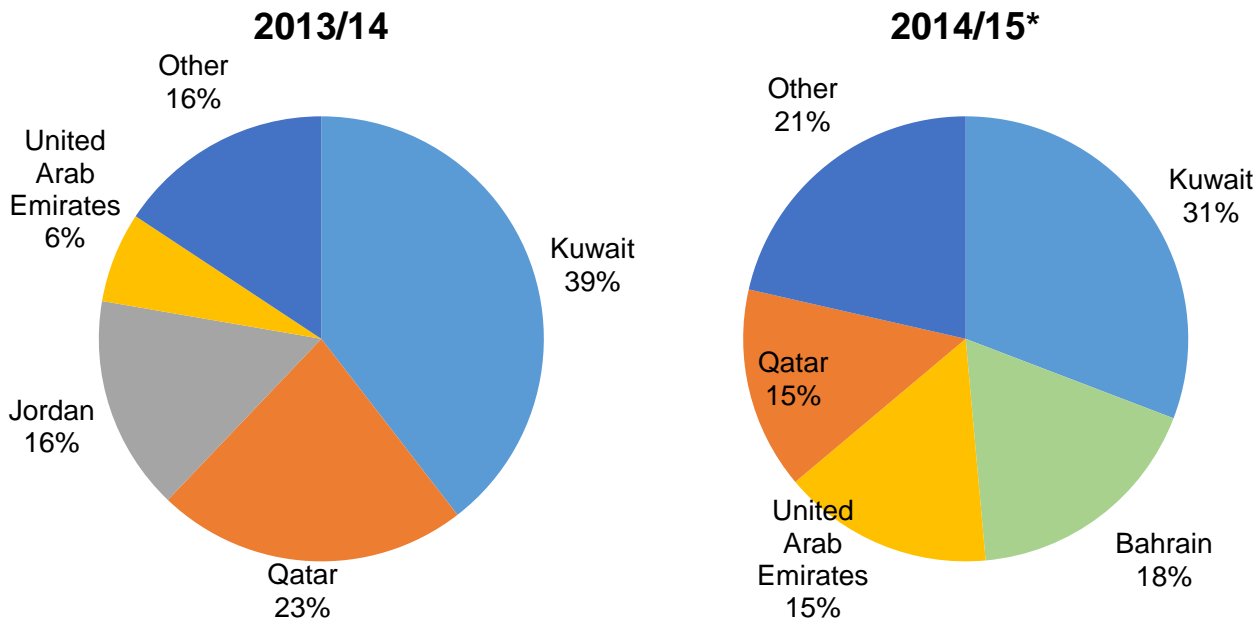


Figure 9 Proportion of live sheep exported to major markets during 2013/14 and during the first eleven months of 2014/15 (Based on ABS data, analysed by DAFWA)

Between July and May 2014/15, both Kuwait and Qatar have taken a reduced share of Western Australian sheep while exports to Bahrain have increased dramatically overtaking Jordan, the United Arab Emirates and Qatar (Figure 9).

Value of exports

Sheep meat export value

The value of sheep meat exported from WA during 2013/14 and 2014/15 (projected full year value) has increased dramatically when compared to recent years, as seen in Figure 10 below. This dramatic increase however is not evident in volume thus indicating an increase in the export price for sheep meat.

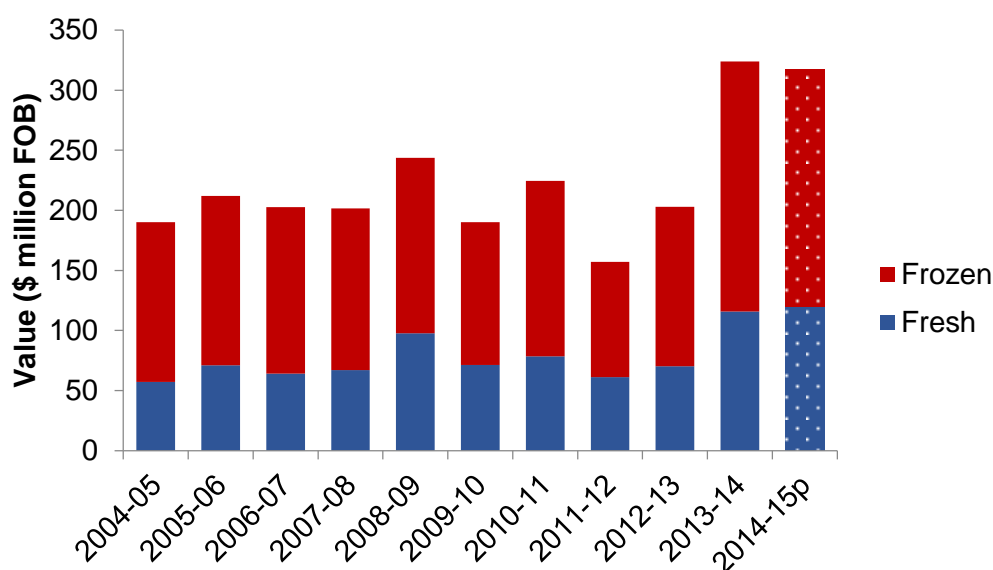


Figure 10 Value (in AUD million, FOB) of fresh/chilled and frozen sheep meat exported from WA. 2014/15p is the projected full year figure assuming the year to date change applies to the full year. (Based on ABS data, analysed by DAFWA)

The majority of Western Australia's sheep meat exports are in frozen form, however both fresh and frozen exports have been on the increase in the last two years. After low volumes and values of export in 2011/12 and 2012/13 due to a contraction in supply following a drought in Western Australia's agricultural zone in 2010, exports of sheep meat grew rapidly in value due to the emergence of new markets such as China. In 2013/14, China was the largest market by both value and quantity and appears to be maintaining that position in 2014/15.

Figure 11 tracks changes in the quantity (horizontal axis, million kg carcass equivalents) and average price (vertical axis, AUD/kg ceq) of sheep meat exported from WA. The curved lines, isopleths⁷, indicate points of equal total export value (labelled in AUD million, FOB).

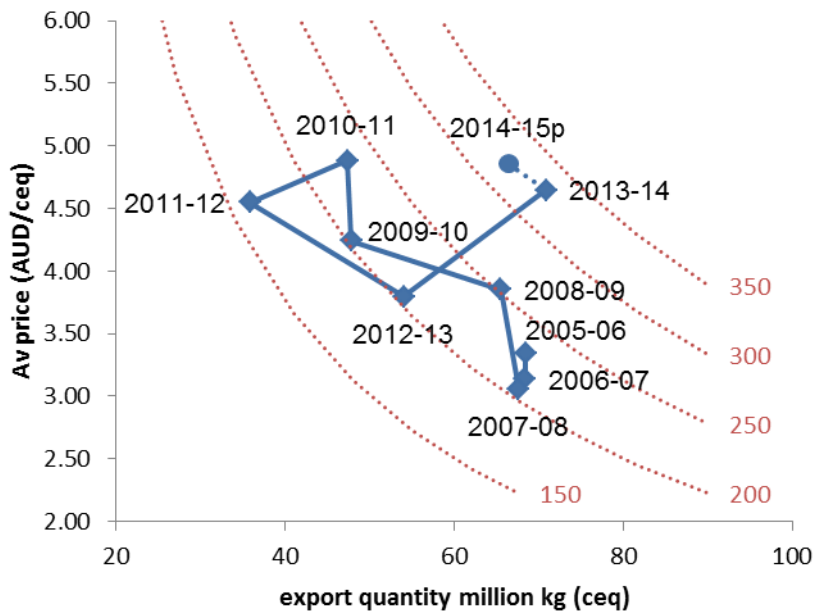


Figure 11 Change in export quantity (million kg carcass equivalents) and average price (AUD/kg carcass equivalent, FOB) for sheep meat exports from WA. The isopleths (shown as curved dotted lines) indicate price/quantity combinations with equal total value (labelled as AUD million, FOB). The value at 2014/15p is a projection assuming year to date change (July to May) applies to full year (Based on ABS data, analysed by DAFWA).

This chart shows that the average price per kg (carcass equivalents) has increased quite sharply over the last two years despite total export quantity increasing above the levels reported for 2009/10 through 2012/13. During 2010/11 and 2011/12, the price received was relatively high however the volumes exported were quite low so the total value of sheep meat exports was low, hence it sat at a lower isopleth than this year's projected total value.

Live sheep export value

As seen in Table 9, the value of both Australia's and Western Australia's live sheep exports have increased markedly when comparing July to May data for 2014/15 to the same period in the previous year. There has been an increase of 21% year on year in WA and 32% for the whole of Australia. This financial year the value of live exports from WA is expected to be higher than the value in either 2012/13 or 2013/14; however it remains below the value of live sheep exports in each year between 2005/06 and 2011/12.

⁷ Isopleths are analogous to contour lines on a map that join locations of equal height or isohyets that show locations with equal rainfall.

Table 9 Value (in AUD million, FOB) of live export of sheep (Based on ABS data, analysed by DAFWA)⁸

Year	2012/13	2013/14	July-May 2013/14	July-May 2014/15	2014/15p	Change
WA	166	160	148	180	194	21%
Australia	201	185	170	224	243	32%

Figure 12 follows changes in the number and average value of live sheep exported between 2005/06 and 2014/15 (projected value). Whereas the number of sheep exported during 2014/15 has only increased by 1%, the value per sheep has increased quite substantially as seen in the large vertical movement of the point for 2014/15p.

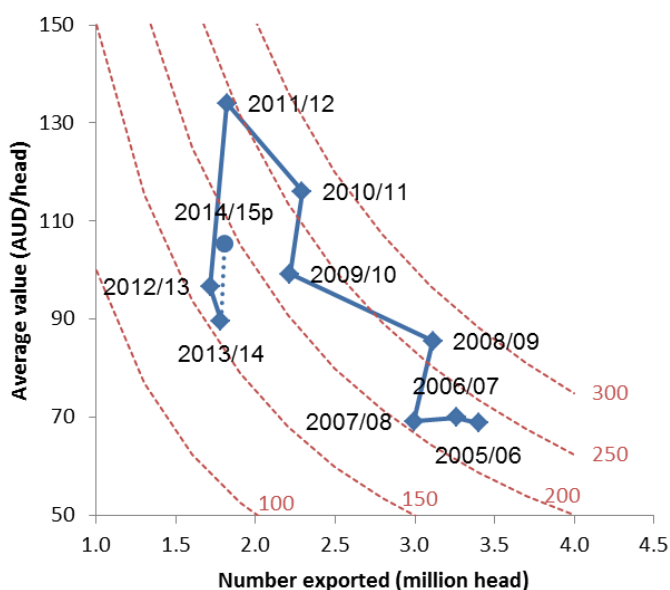


Figure 12 Change in number (million head) and average value (AUD/head, FOB) for live sheep exported from WA. The isopleths (shown as curved dotted lines) indicate price/quantity combinations with equal total value (AUD million, FOB). The value at 2014/15p is the projected full year figure assuming the year to date (July to May) change applies to the full year (Based on ABS data, analysed by DAFWA)

Wool export value

During the first eleven months of the financial year 2014/15 the value (FOB) of wool exported out of both Western Australia and Australia as a whole has increased by 7% and 9% respectively (Table 10). Despite a lower volume of wool received in WA between July and March, the volume of wool exported in the first eleven months of 2014/15 increased in comparison to the same period during 2013/14. In addition to the increase in volumes exported, the increase in the wool prices further increased the total value (FOB) of the wool exported.

Table 10 Value (in AUD million, FOB) of wool exported from WA and Australia (Based on ABS data, analysed by DAFWA)

Year	2012/13	2013/14	July-May 2013/14	July-May 2014/15	2014/15p	Change
WA	408	425	398	425	454	7%
Australia	2471	2453	2277	2489	2681	9%

⁸ 2014/15p is the projected full year figure assuming the year to date change applies to the full year.

Figure 13 below follows the changes in the volume and average value of wool exported from WA between 2005/06 and 2014/15 (projected value). Between 2005/06 and 2009/10, the volume of wool shifted lower while the average export price remained relatively steady. Since 2009/10, the volume exported has also remained steady at between 50 and 70 million kg greasy, while the average price has increased to around \$7.00 to \$7.50 a kg greasy (FOB), though it was higher in 2011/12. The total value of exports from WA in 2014/15 sits on the \$450 million isopleth.

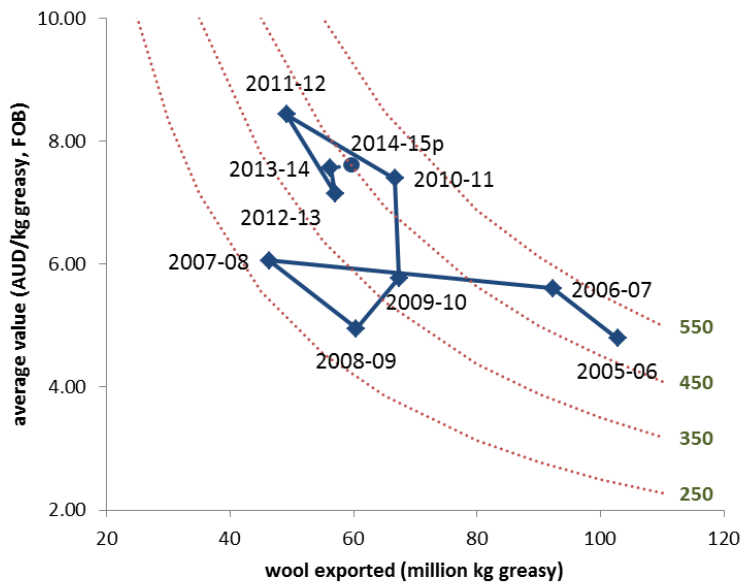


Figure 13 Change in export quantity (million kg greasy) and average price (AUD/kg greasy, FOB) for wool exports from WA. The isopleths (shown as curved dotted lines) indicate price/quantity combinations with equal total value (labelled as AUD million, FOB). The value at 2014/15p is a projection assuming year to date change (July to May) applies to full year (Based on ABS data, analysed by DAFWA).

Key market – Middle East

The Middle East⁹ is one of Australia’s key markets for both sheep meat and live sheep. As seen below in Figure 14, between 35% and 45% of the volume of Western Australia’s total sheep meat exported over the last five years has been exported to the Middle East. To date in 2014/15, 37% of the sheep meat exported from WA has been destined for the Middle East.

Similar to the volume share, the Middle East has accounted for 38% to 45% of the total value of WA sheep meat exports between 2007/08 and 2014/15*.

As seen in Figure 14 the proportion of exports to the Middle East, both by value and volume, increased steeply between 2004/05 and 2007/08. Since 2011/12 the proportion of the sheep meat exports (on a value basis) attributed to the Middle East has remained around 40% while trending down slightly on a volume basis.

⁹ For this report, the countries included in the Middle East were: Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Oman, Palestine, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates.

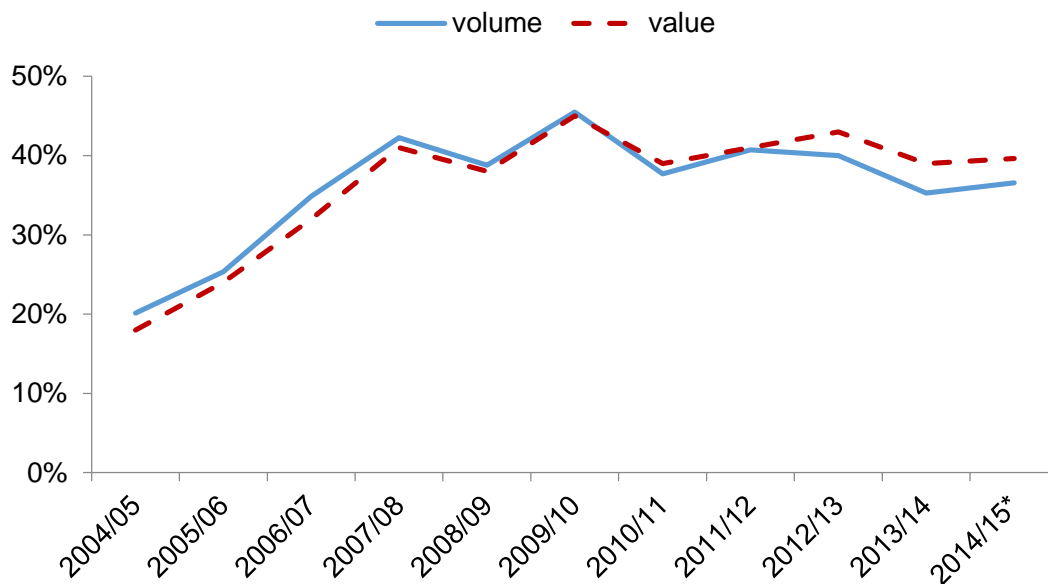


Figure 14 Percentage of WA sheep meat exports by volume (shipped weight in kg) and by value (AUD FOB) that were exported to the Middle East (Based on ABS data, analysed by DAFWA)¹⁰

Traditionally, the majority of sheep meat exported to the Middle East has been mutton, however in recent years mutton exports have been surpassed by lamb meat exports. Mutton exports reached a high of 18.4 million kg in 2007/08 (Figure 15) but has since decreased to 8.6 million kg in 2013/14. Lamb on the other hand has been steadily increasing over the last ten years, from 2.5 million kg in 2004/05 to 13.4 million kg in 2013/14 – an increase of 441%.

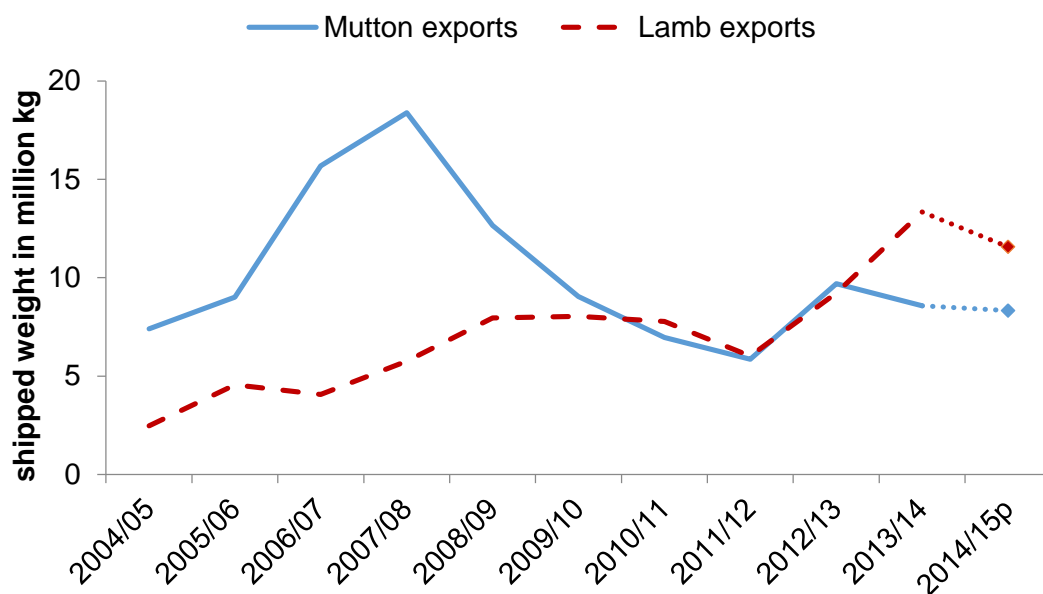


Figure 15 Quantity of sheep meat exported from WA to the Middle East (shipped weight in million kg). 2014/15p is the projected full year figure assuming the year to date change applies to the full year (Based on ABS data, analysed by DAFWA).

¹⁰ 2014/15*- contains data for the partial year July 2014 to May 2015 only.

As seen in Figure 16, the value of lamb exports has generally been increasing over the last ten years in contrast to mutton which has decreased over the same time period from a peak of \$54 million in 2007/08 to \$36 million in 2013/14. The value of lamb exports to the Middle East rose sharply between 2012/13 and 2013/14, an increase of 77% from \$50 million to \$89 million. This may signify changing preferences or tastes in the Middle East due to Western influences or increasing levels of affluence, along with an increase in the supply of high quality lamb and a decrease in the processing of mature wethers.

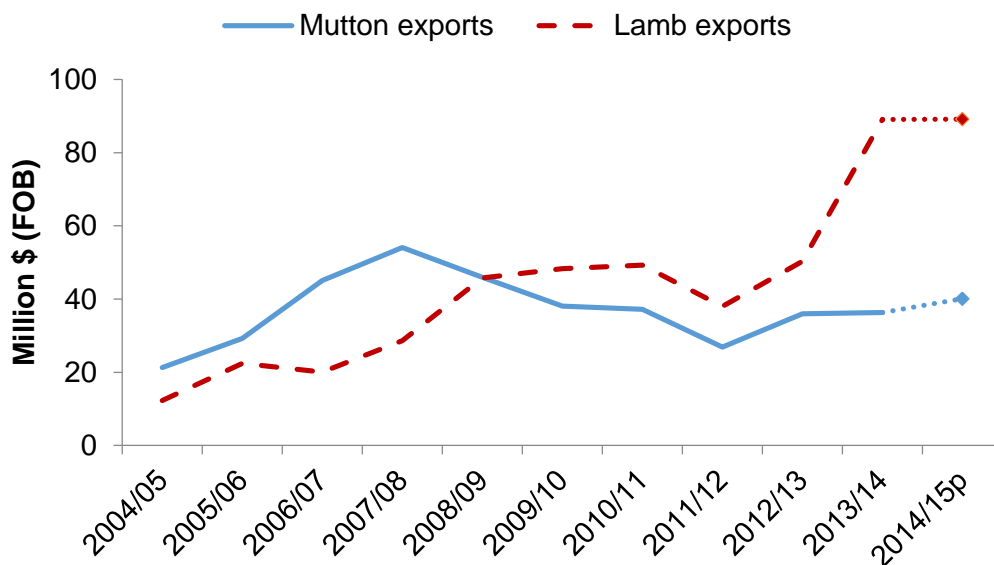


Figure 16 Value of sheep meat exported from WA to the Middle East (in AUD million, FOB). 2014/15p is the projected full year figure assuming the year to date change applies to the full year. (Based on ABS data, analysed by DAFWA)

As seen in Figure 17, over the last three years the average price per kilogram of lamb exported to the Middle East has increased steeply from \$5.14/kg to \$7.25/kg (carcase equivalent). This has made it the third highest value lamb market on a per kilogram basis closing in on the other high value markets the USA and the EU.

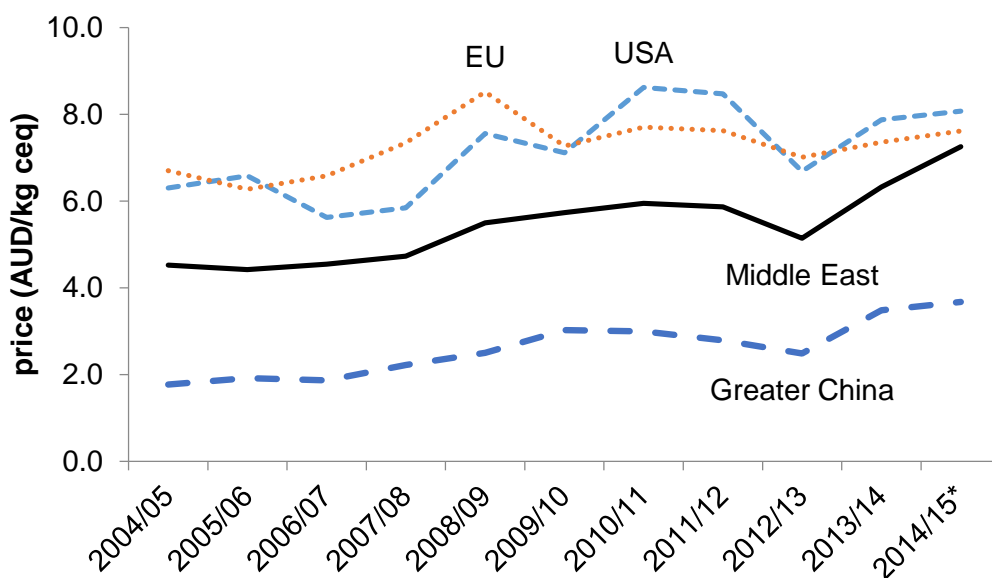


Figure 17 Average price per kg (AUD/ kg ceq, FOB) of lamb meat exported. (Based on ABS data, analysed by DAFWA)

Mutton prices reached \$4.35/kg in 2010/11 but then fell to \$3.18/kg in 2012/13. They have since begun to recover reaching \$3.90/kg so far during 2014/15. In comparison to other markets this put them as a mid-level market value-wise. The EU and the USA remain the highest value markets for Western Australian mutton.

The Middle East is the destination for 99% of the live sheep exported from Western Australia. This has remained unchanged over the last ten years even as the number exported per year and the value per head have each declined.

Over the last ten years the number of sheep exported live from WA to the Middle East has been in decline. This may be partly due to the increase in volume of sheep meat, especially lamb, exported to the region as the sheep meat trade may have displaced the live sheep trade. Figure 18 illustrates that live exports (right axis, solid line) have fallen in volume from 3.4 million head in 2005/06 to 1.7 million head in 2013/14.

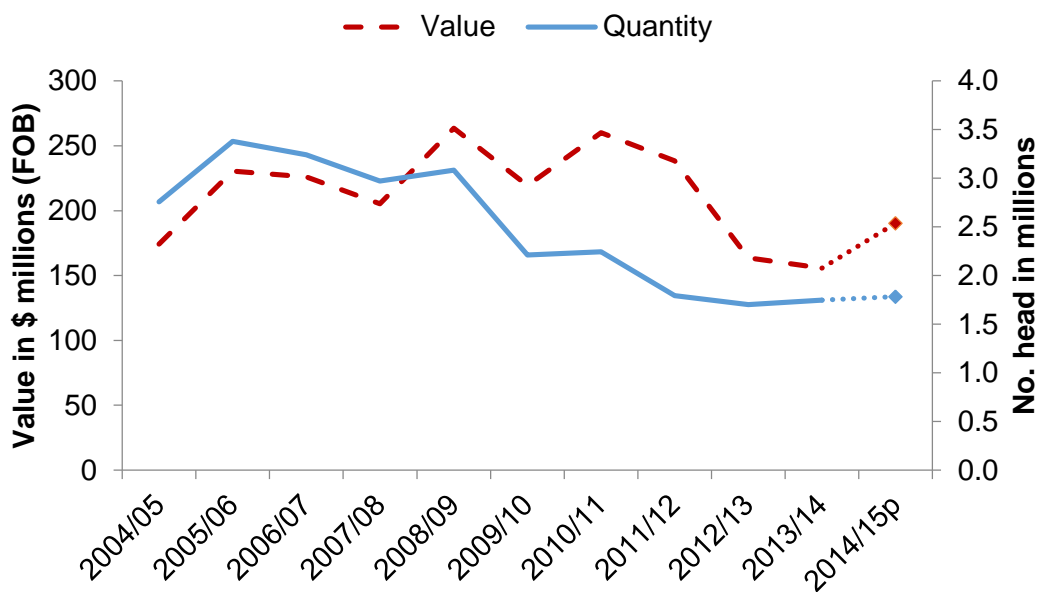


Figure 18 Value (AUD million, FOB) of sheep exported live from WA to the Middle East (left axis) and Quantity (number of head) of sheep exported live from WA to the Middle East (right axis) (Based on ABS data, analysed by DAFWA)

The value of live sheep exported from WA to the Middle East (Figure 18, left axis, dashed line) has been steadily declining since 2010/11. Between 2007/08 and 2010/11 the value of the live sheep trade to the Middle East remained relatively steady despite the declining number of sheep exported live. This is attributed to the higher prices received for live export sheep between July 2010 and July 2012 as seen in Figure 4.

Opportunities for WA sheep and wool

Australian dollar exchange rate

As introduced in the discussion of the wool price (see page 6) and as shown in Figure 19, between September 2014 and January 2015, the value of the Australian dollar has fallen against the American dollar from over 90 US cents to under 80 cents. This should be beneficial for the majority of Australia's agricultural commodities due to the heavy reliance on export markets, with much of that trade written in US dollars. A lower Australian dollar reduces the cost of Australian products in international markets thus increasing demand.

Generally this would make Australian goods more competitive in overseas markets however the currencies of some of our competitors have also lost ground against the greenback.

Relative to the average exchange rate in 2011, an Australian dollar in June 2015 is around 26% lower at between 76 and 78 US cents. The New Zealand currency has only decreased in value by 10% during this time, giving up some competitive advantage to Australian exporters.

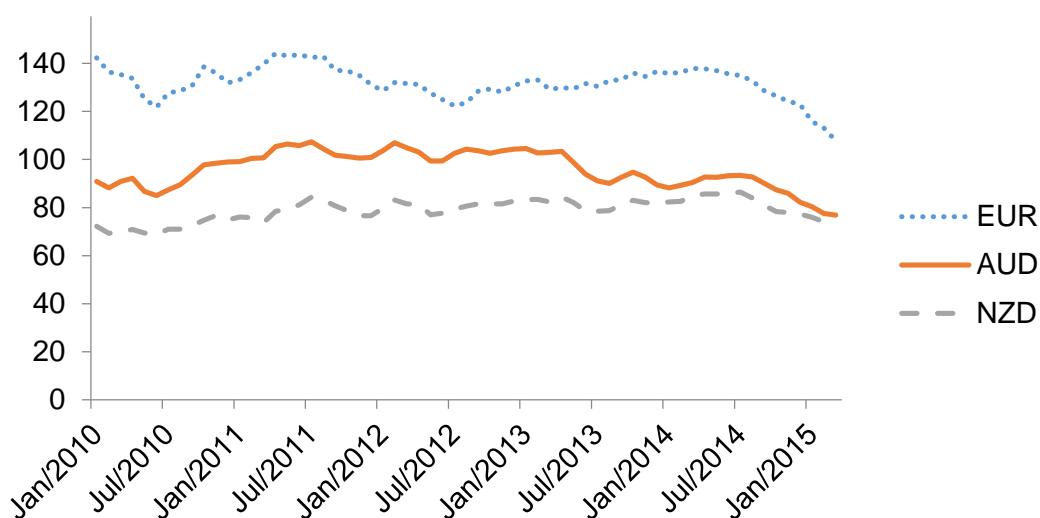
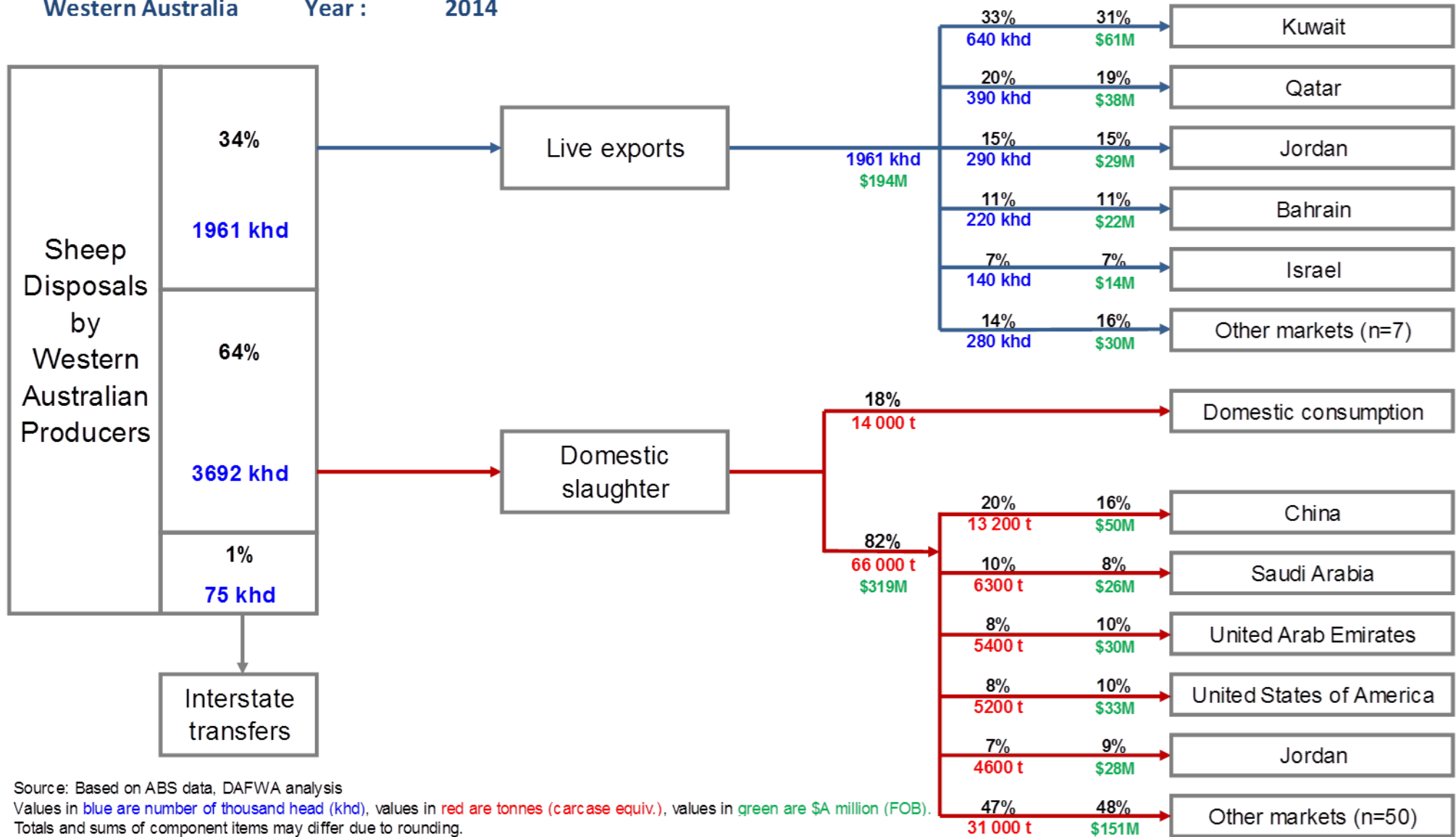


Figure 19 Exchange rates – the value in US cents of one Euro (EUR), one Australian dollar (AUD) and one New Zealand dollar (NZD) (Figures are based on data from the [University of British Columbia](#))

Appendix. Western Australian sheep turn-off for 2014

Western Australia Year : 2014



Source: Based on ABS data, DAFWA analysis

Values in blue are number of thousand head (khd), values in red are tonnes (carcase equiv.), values in green are \$A million (FOB).

Totals and sums of component items may differ due to rounding.