



European Commission Working Sheep Group

Global Overview

European Commission, 12th June 2023

Climate

Small formal %

Profitability

Supply: Constrained

Demand: Firm

Economic impact
Changing consumer trends
Poor C footprint

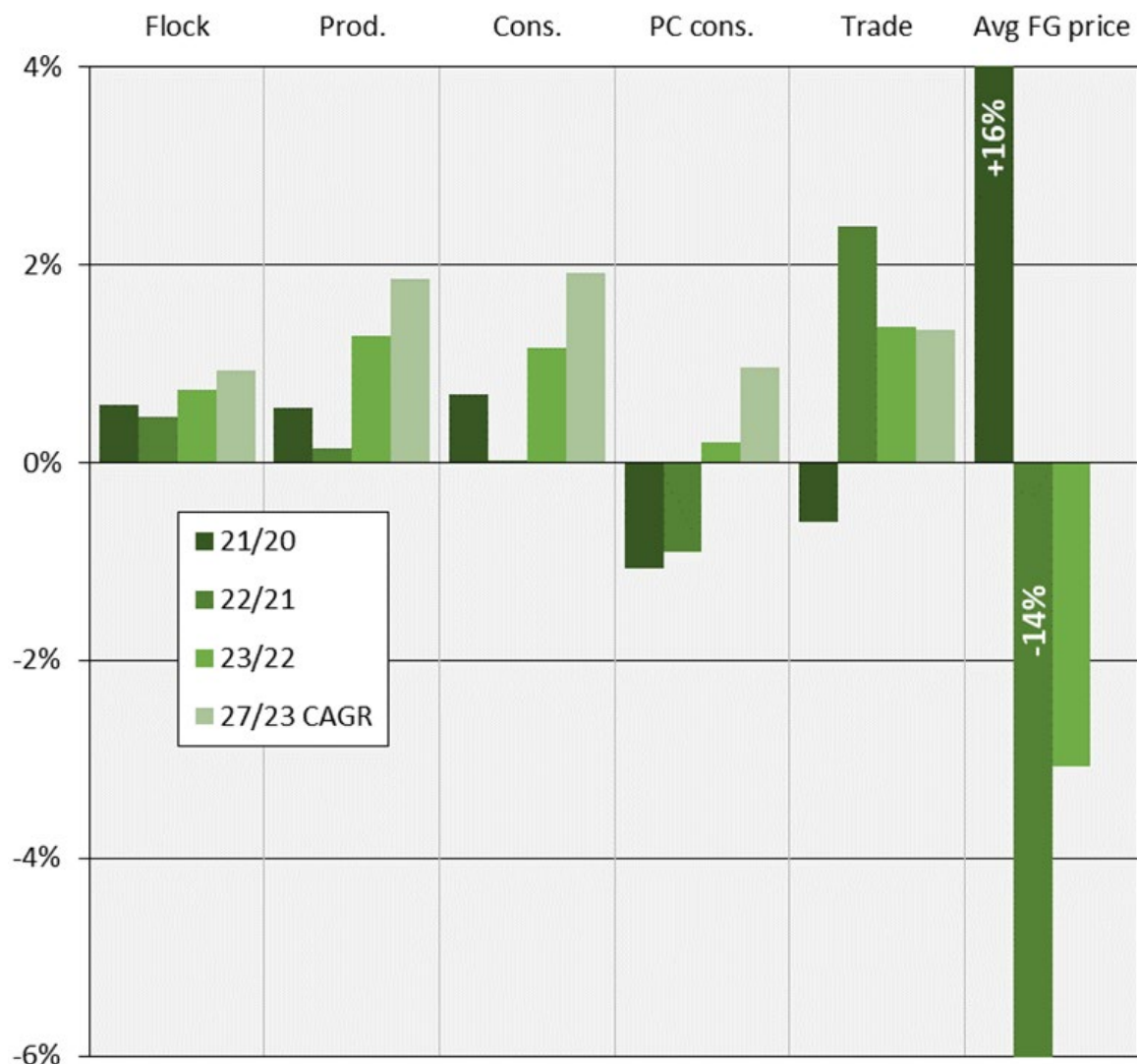
Developing world driver
MENA recovery
CN demand remains





2021-27f Shoat meat headlines

Volatile market reflecting the size of the Chinese market, & 2022 C-19 dip



Source: Gira forecasts. No n+5 FG (farmgate) price forecasts

Global flock expansion

- Driven by developing world & AU restocking

Supply recovery to continue into mid term

- Flock expansion from informal flocks
- Combined with AU gains through restocking

Demand recovery is ongoing

- CN major driver → imports & production
- US demand at historic levels (13% global imports)
- MENA ongoing recovery (live & meat)

Prices fell in 2022, from 2021 peak

- Mainly reflecting calculated Chinese prices
- Compounded by weaker currency v USD

Headlines – Supply countries

Strong AU recovery; other key suppliers under pressure or stabilising

Flock decline in MT despite ST growth
High carryover (again) into 23 expected

Contracting flock in key members in MT except IE
Uncertainty around future support
Ageing farmer population

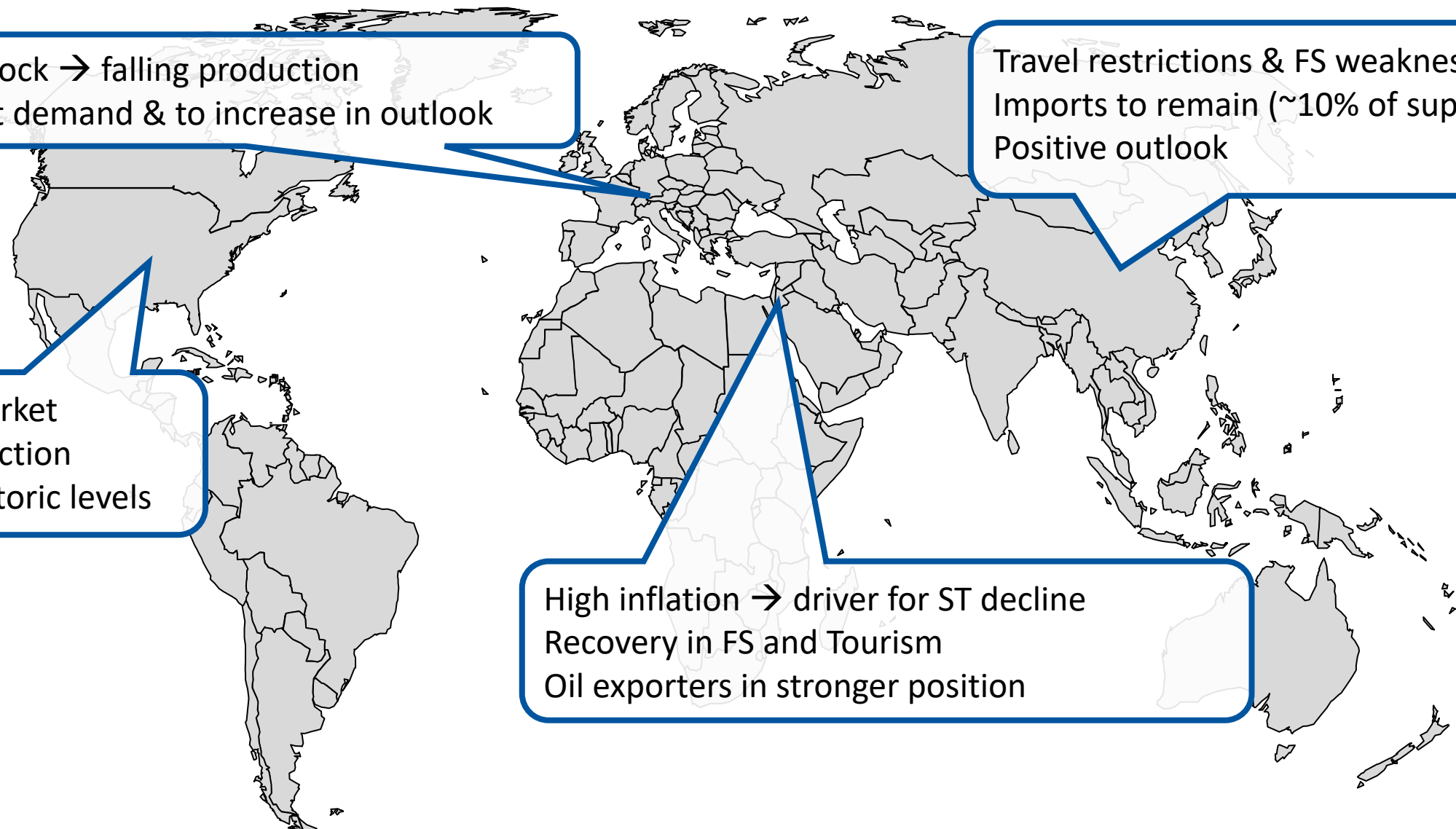
Catastrophic drought in Horn of Africa
Growing regional demand from organic flock growth
Opportunity to supply MENA if reliable supply can be established

Export focus (95%)
Flock now stabilised & poor 22 tugging
Land use change & uncertainty over environmental regulations in MT

Excellent growing conditions sustain restock
Flock to reach peak in MT (& production)
Exports grow with production gains

Headlines – Demand countries

Positive outlook despite Pk sector recovery in CN



Contracting flock → falling production
Strong import demand & to increase in outlook

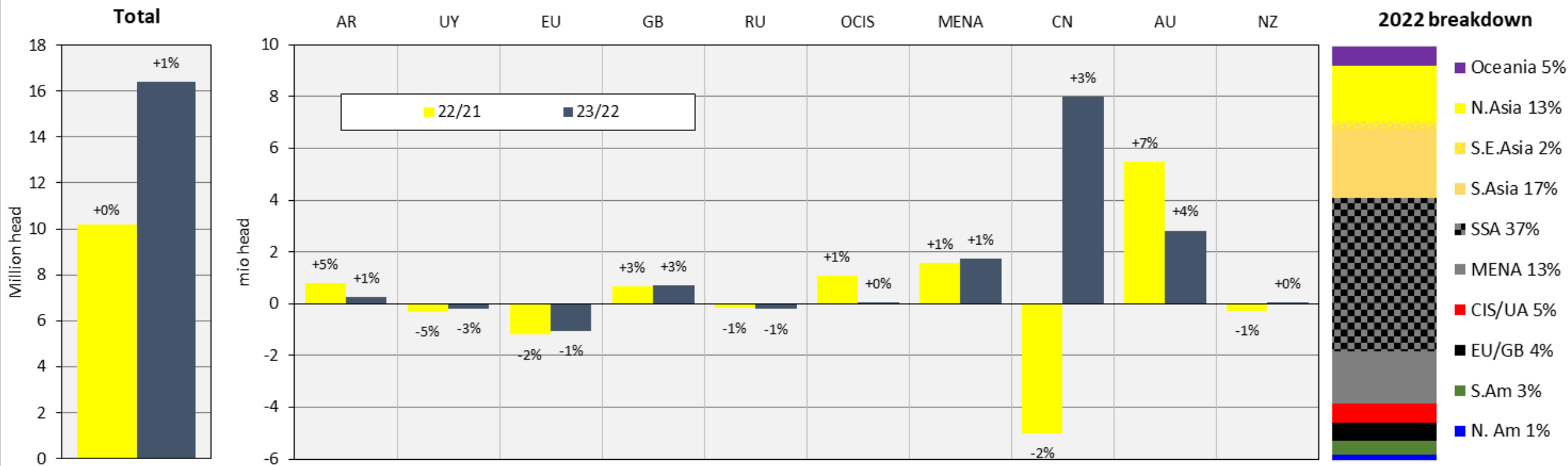
Travel restrictions & FS weakness
Imports to remain (~10% of supply)
Positive outlook

High value market
Limited production
Imports at historic levels

High inflation → driver for ST decline
Recovery in FS and Tourism
Oil exporters in stronger position

Shoat flock changes, 2022e-23f

Changes in CN and AU dominate

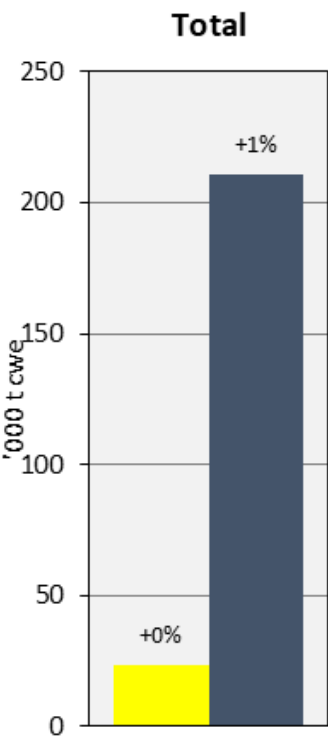


Source: Gira compilations

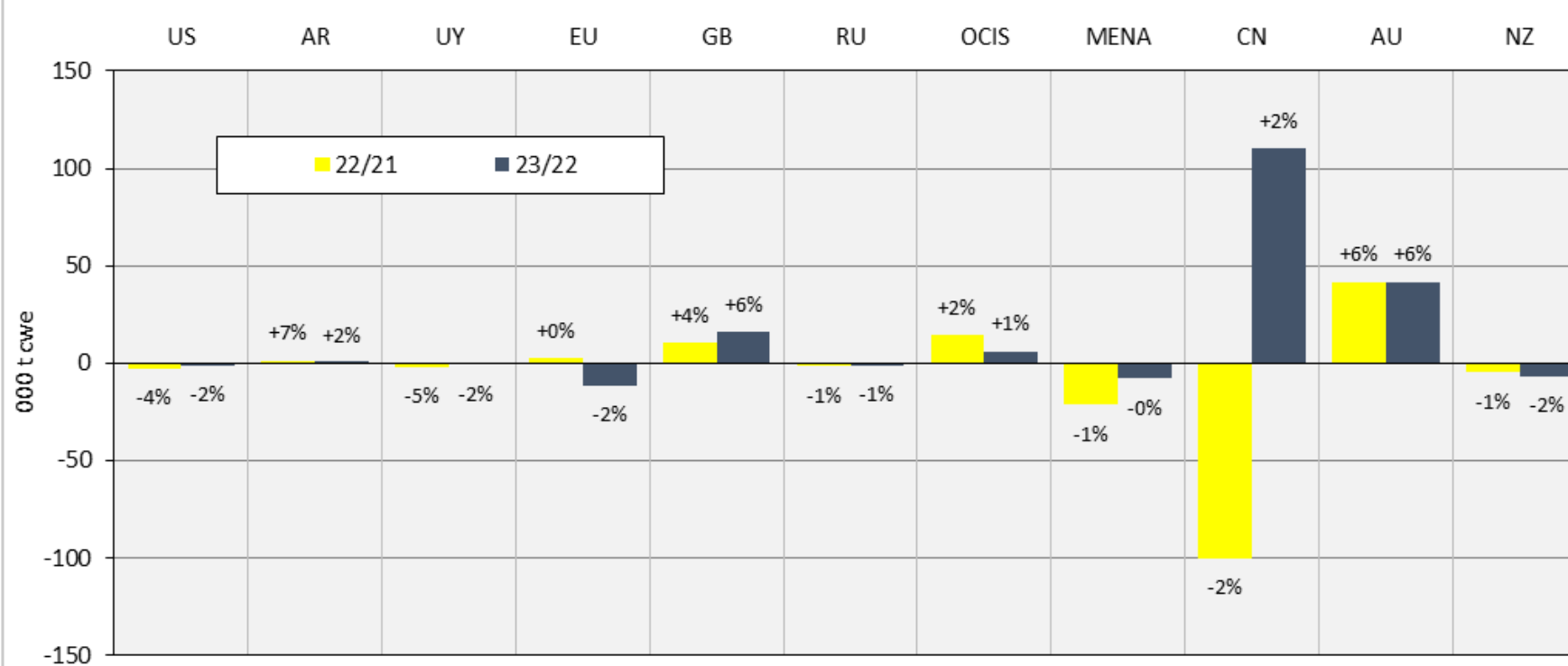
- CN: high 21 prices drive 23 recovery, investment & shift towards more formal flock
- AU: exceptional restocking conditions; Continued growth as a result, slowing in mid term
- MENA: continued steady slow growth; remains challenged by feed & lack of investment
- GB: short-term growth encouraged by high prices; mid-term contraction & lack of support
- EU: declining flocks in major member states due to changing support structure

Shoat meat production changes, 2022e-23f

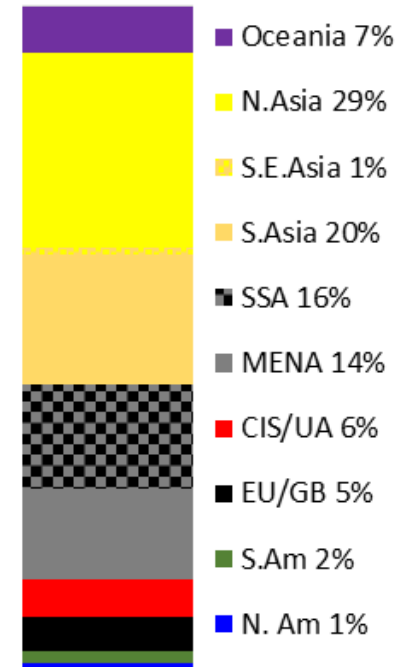
Outlook dominated by 23 CN growth; AU restock impact



Source: Gira compilations



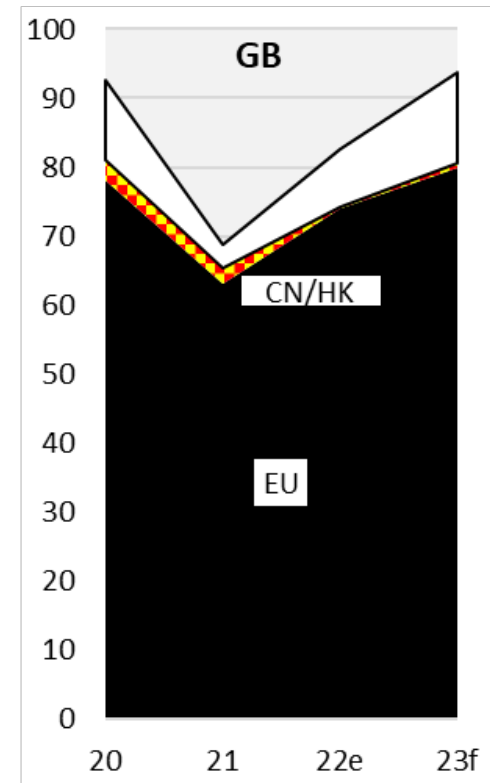
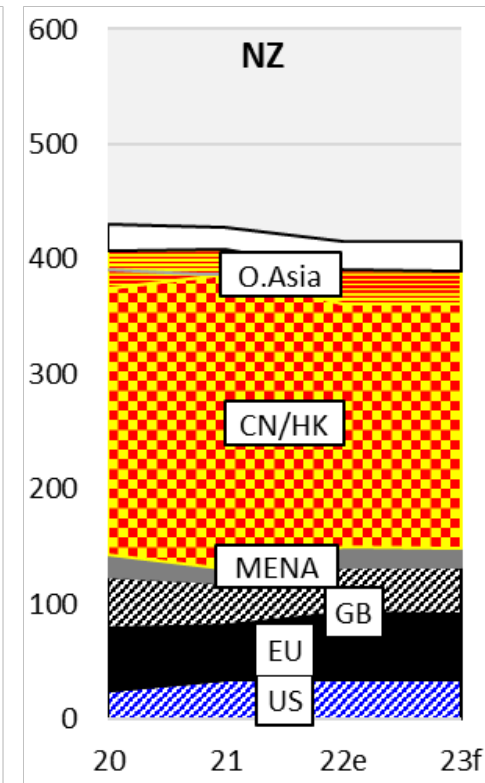
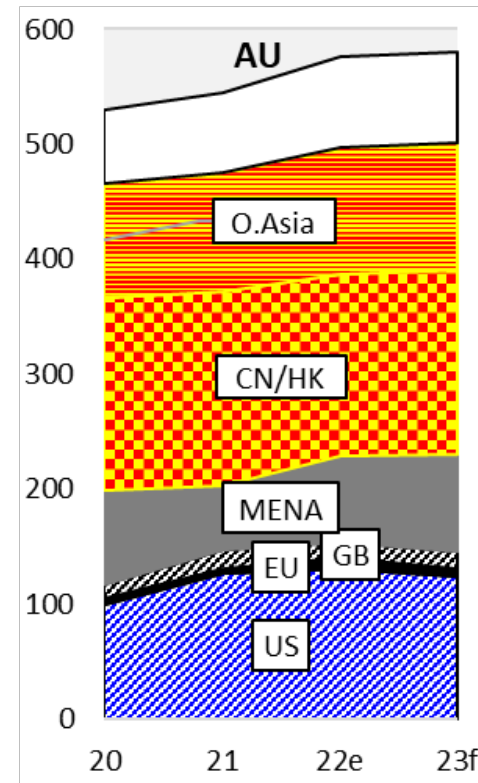
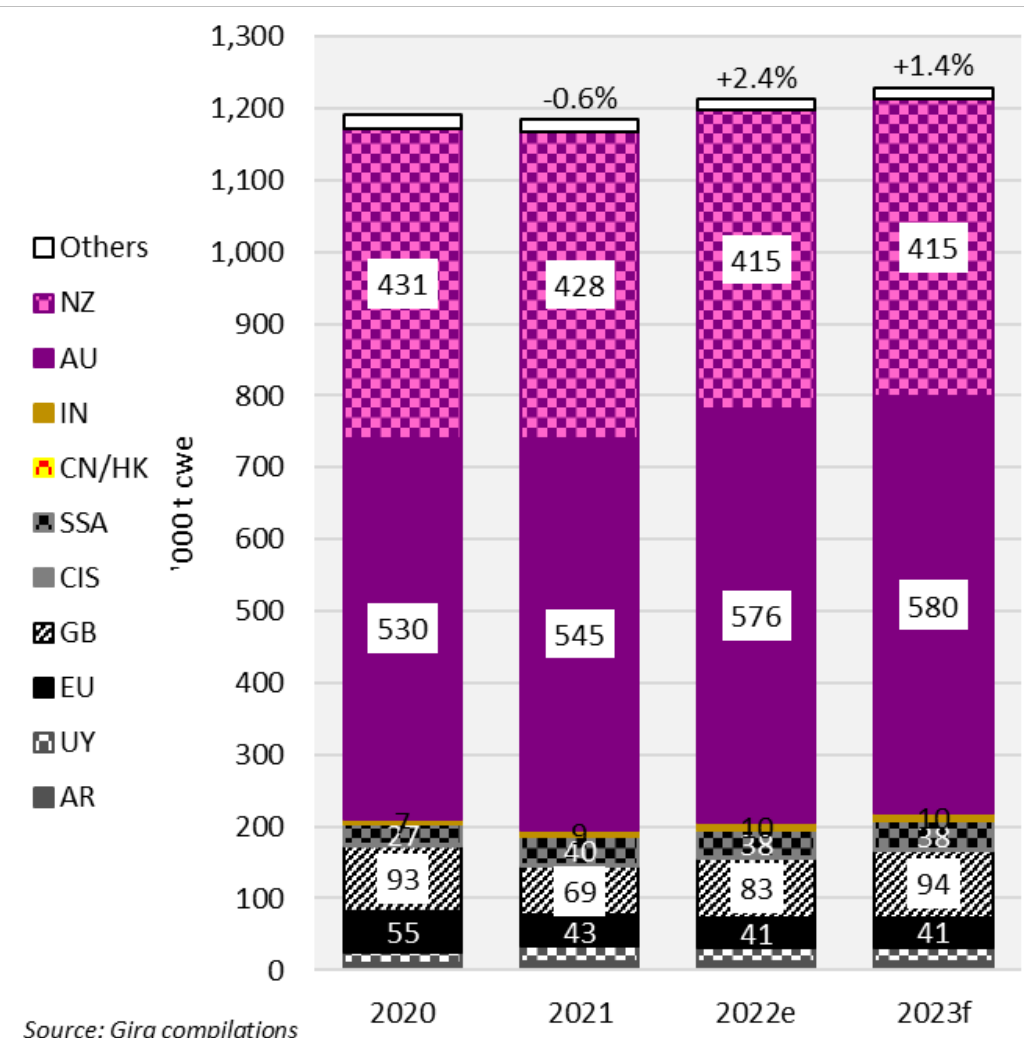
2022 breakdown



- CN: short-term disruption but mid-term growth
- AU: flock reaches previous levels in 23 → offtake rate returning to normal level
- MENA: drop in live imports and cost challenge demand
- GB: 2021 carry-over drives current growth
- NZ: stable outlook reflecting little change in flock size

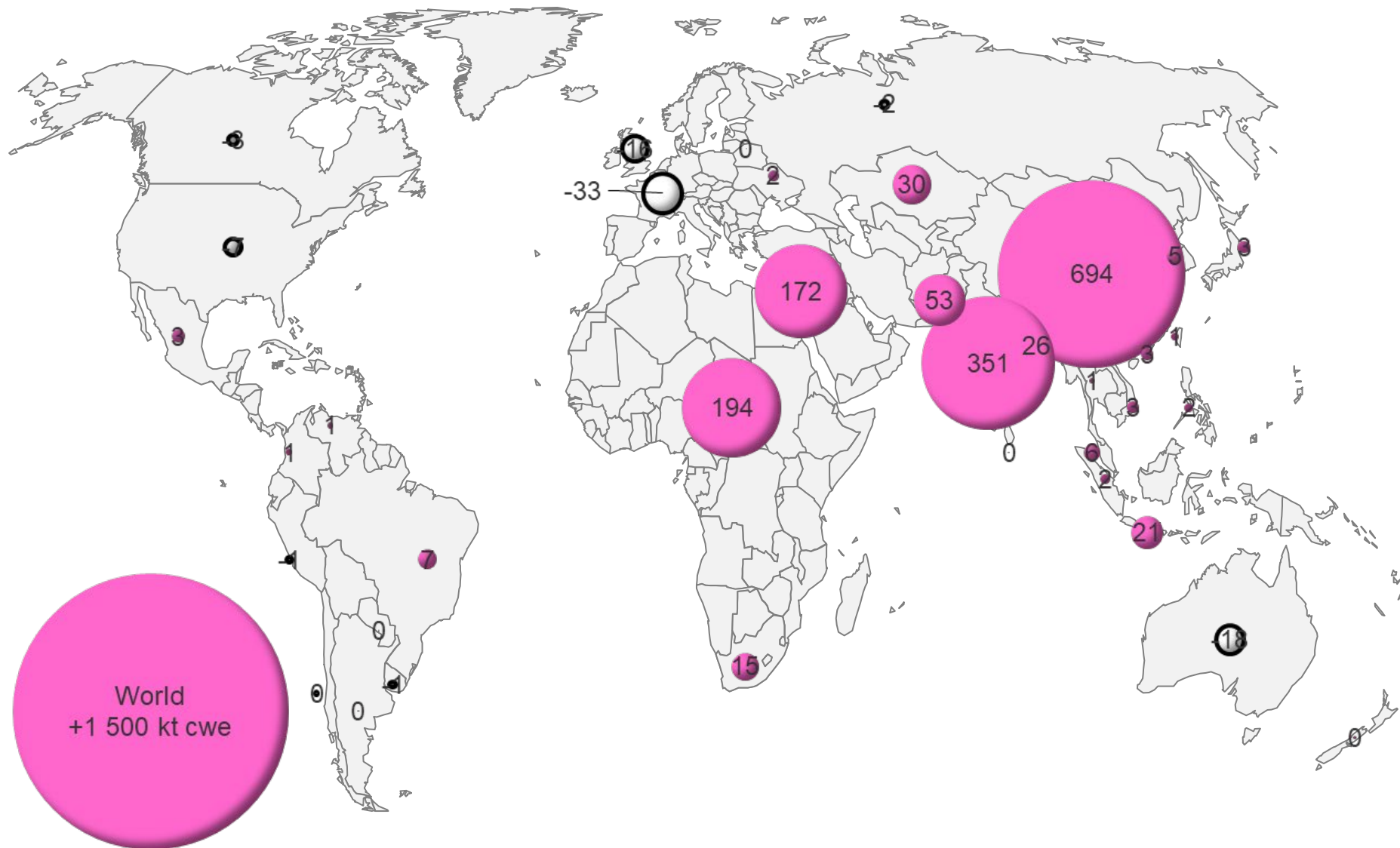
Shoat meat exporters, 2020-23f

Return of AU supply; NZ stabilisation; Asia & MENA primary destinations



Shoat meat consumption changes, 2022e-27f

Significant growth in Asia & MENA; AU robs domestic market for exports

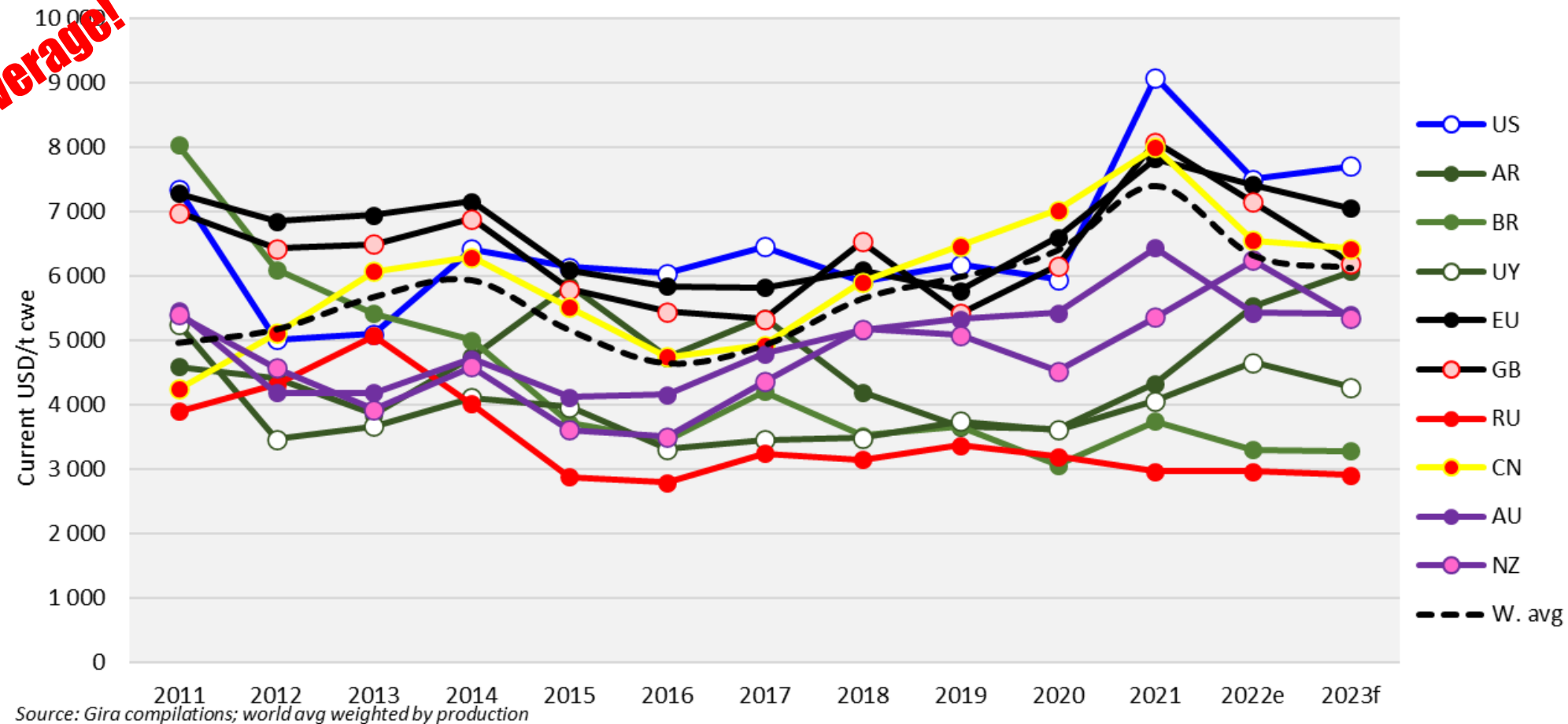


Source: Gira compilations
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Lamb producer prices (USD/t cwe), 2011-23f

Price decline as supply recovers in 22 but to remain at elevated levels

Limited coverage!



22 global average -8.5% from 21 historic highs

- A reflection of recovering supply, particularly in CN & AU... and impact of USD strengthening

Further softening in producer prices into 23 as supply continues to increase

Thank you for your attention

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