Global Perspective of the Sheep & Goat Meat Market Sourced from the Gira Meat Club (GMC)

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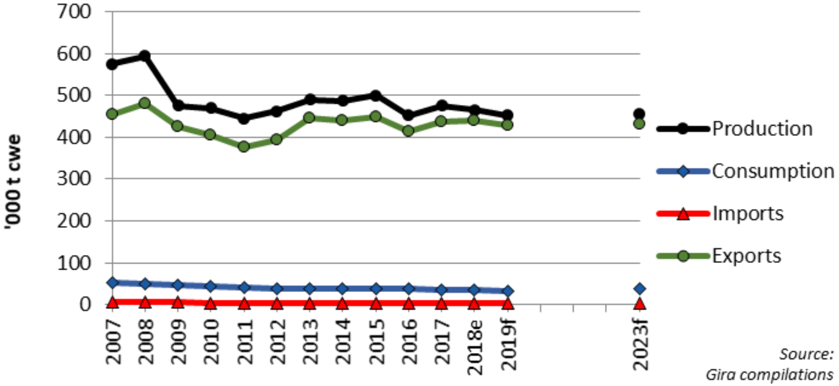
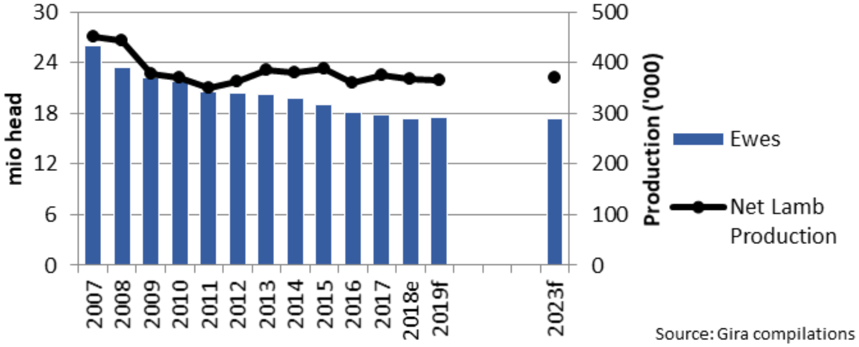
Key Features of the NZ Sheep Sector

Pasture-based systems, export-focused … enjoying record prices

NZ Sheepmeat Balance, 2007-12f



NZ Breeding Ewes & Lamb Production, 2007-23f

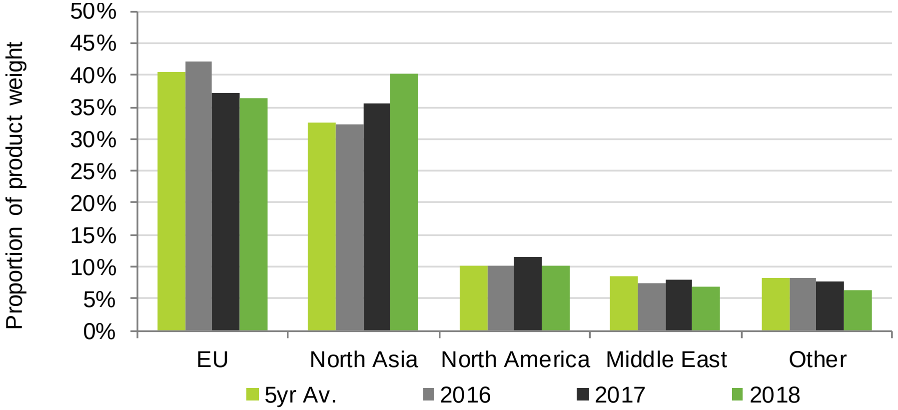


- **Record NZD producer prices … continue into 2019f**
- **Stabilising sheep numbers**
  - Competition for land and resources as dairy sector expanded until 2014-15 - Pressure eased with the farm-gate dairy price
  - Sheep flock at 27.4m head in 2018
    - expected to be stable in the mid-term
- **Significant on-farm productivity gains**
  - NZ Flock production expected to be static/slight decline in medium term
  - i.e. **no major increases in sheepmeat production capacity anticipated from NZ**

NZ Sheep Exports in 2018

Marginally up 0.6% - steady prod. & strong international demand

NZ Lamb Exports by Region, Jan-Oct



Source: Beef + Lamb New Zealand Economic Service | New Zealand Customs

2019 exports to be -2.9%

- Driven by tight mutton supply, mutton exports -13%
- Following high prices in 2018

2023 outlook: stable, but profitable production

- Stable flock after dairy expansion conditions however pasture-based systems vulnerable to climatic disruption
- Marginal productivity gains but growing environmental pressure

Export focus: positive, but Asian market growth

- >90% of lamb and ~95% of mutton production

CN is the largest single national market for NZ sheepmeat exports

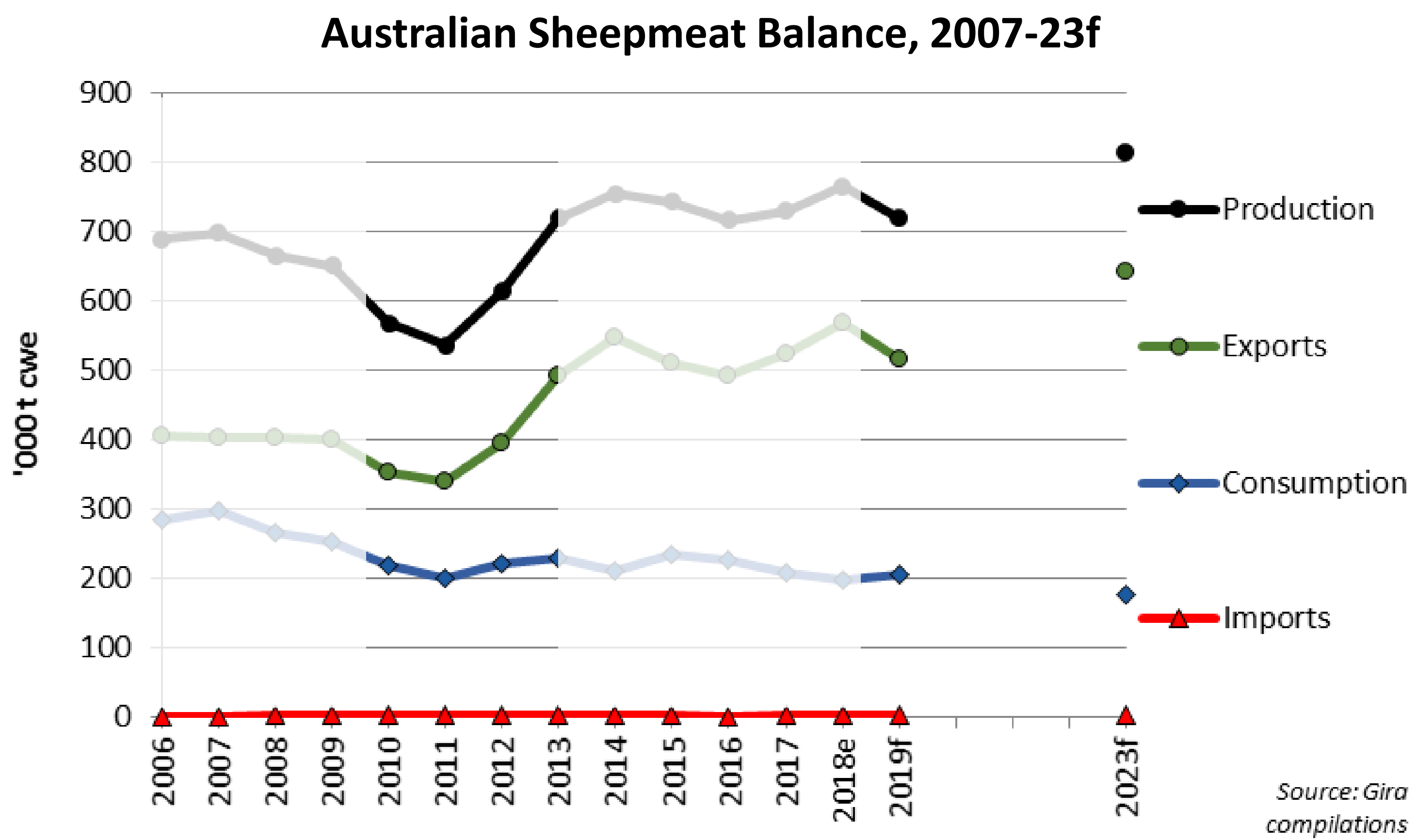
- CN: ~35% of lamb and ~66% of mutton exports
- China export growth; 6% in 2006 to 39% in 2017
- Opportunity for further CN growth, enhanced by ASF

Declining sheepmeat volume to EU-28

- Sharp decline following Brexit referendum but steadier in 2018
- 2019f uncertain due to Brexit
- Exports to EU; 53% in 2006; 30% in 2017

Australia Sheepmeat Balance

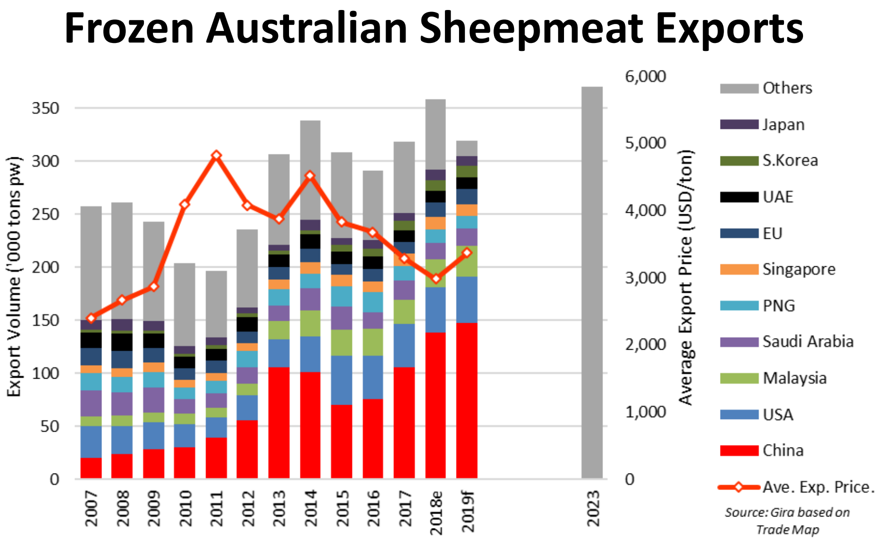
2018 production & export peak, forced by drought…

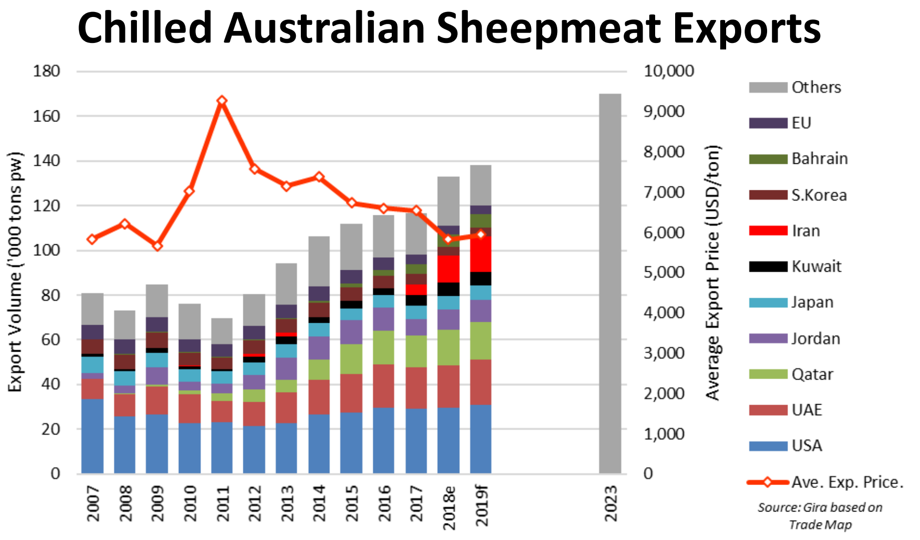


Source: Gira compilations

Chilled vs Frozen Exports

China is the major buyer, focused on frozen sheepmeat

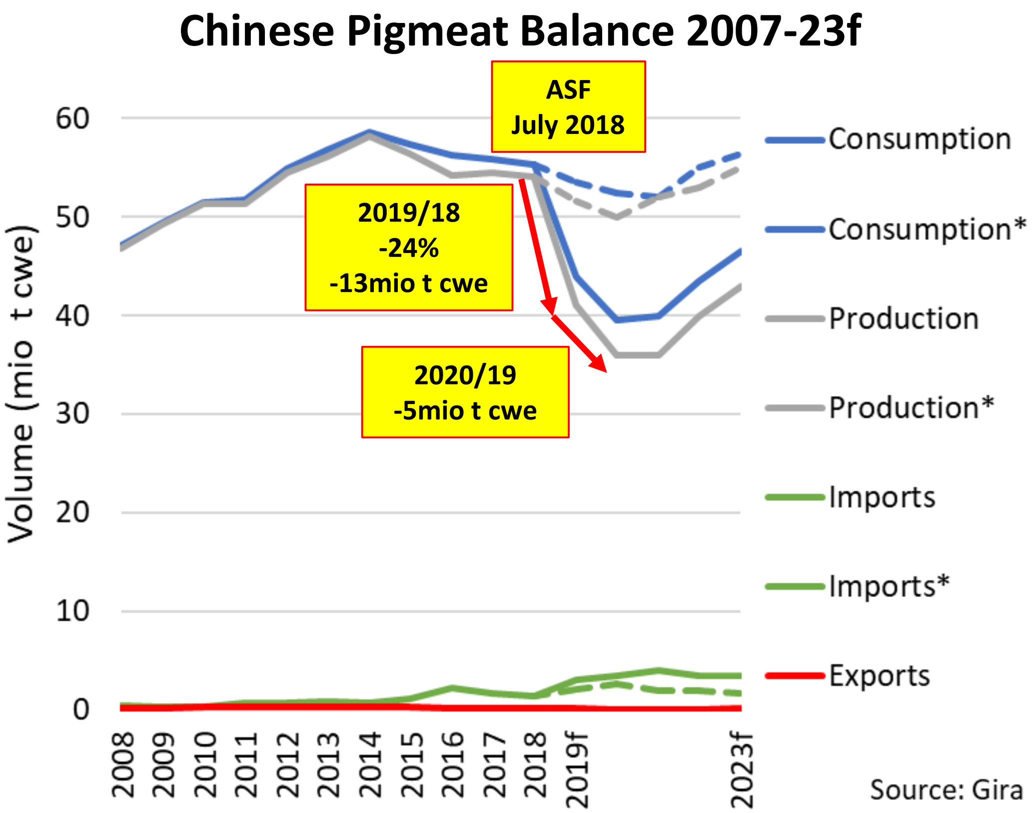




- China has developed strong import demand for both mutton and lamb.
  - Main market is not premium cuts, although this is growing.
  - Chinese infrastructure not geared up to handle chilled exports.
  - Average price decline is reflection of **higher proportion of lower value cuts exported**
- Chilled expected to grow at 5.0% to 2023, compared to just +0.7% for frozen.

Revised Chinese Pigmeat Balance -24% Production Drop

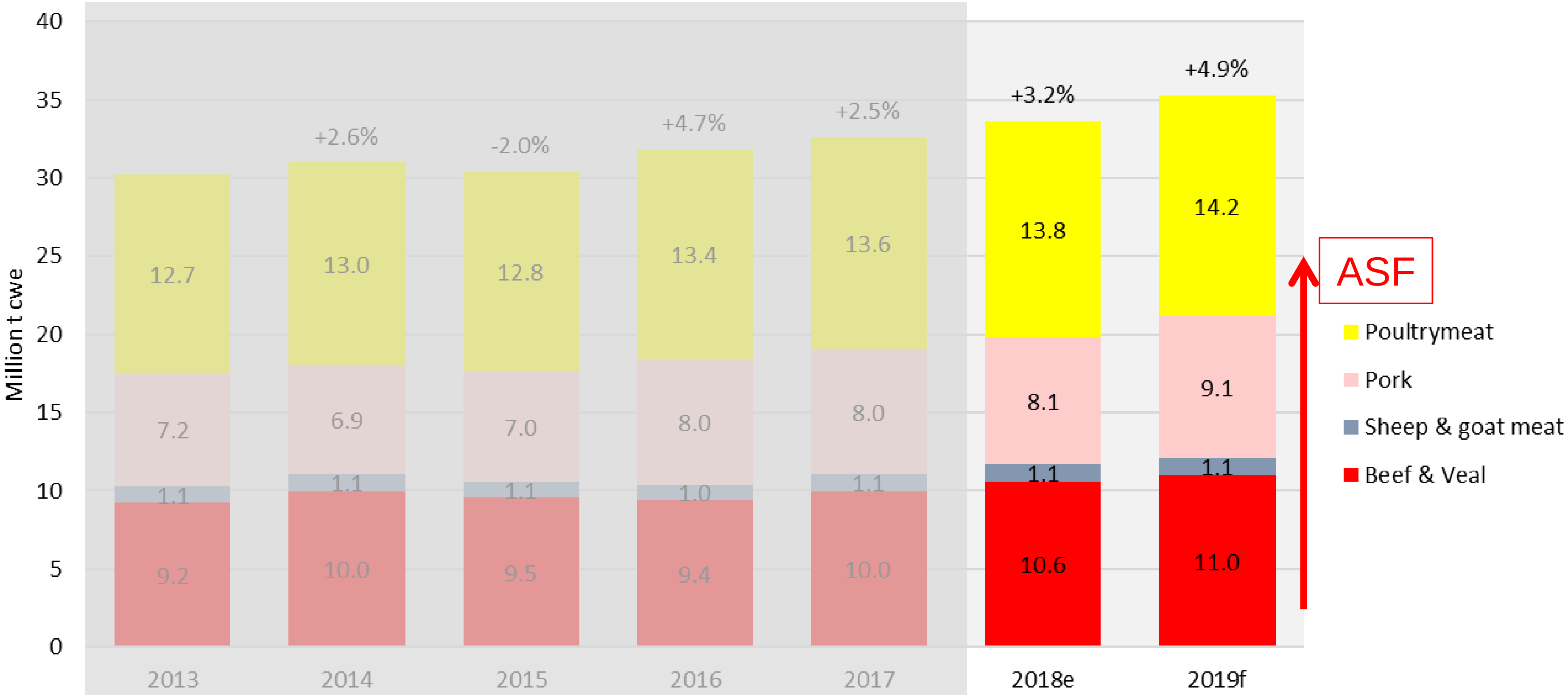
African Swine Fever rocks the pork world



- **Culling** will shrink herd by 30-40%
  - Some estimates run higher – the cull reached 30% during worst PRRS years
  - 9 months in, the disease has not been controlled
- A **24% production fall = 13 mio+ tons!**
- Pork **supplies will run down** as culling and destocking comes to a halt
  - Cautious re-stocking prolongs crisis
- **Significant import lift**
  - 2019f = 3 mio t cwe
  - 2021f = 4 mio t cwe – peak import.

International meat trade volumes

Cannot fill the ASF induced gap in China

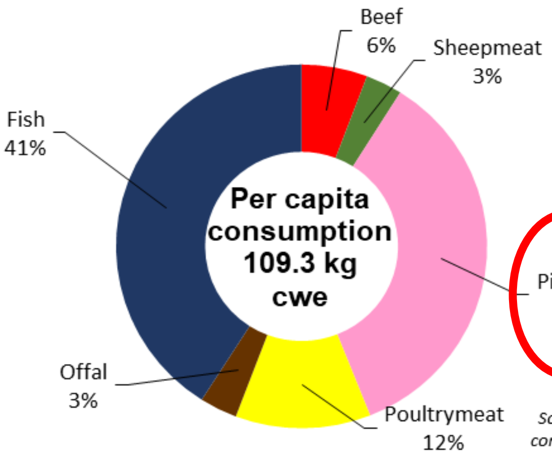


Source: Gira compilations and forecasts

CN Meat Consumption & Retail Meat Prices

Record prices: Chicken obvious pork substitute for pork … but not alone

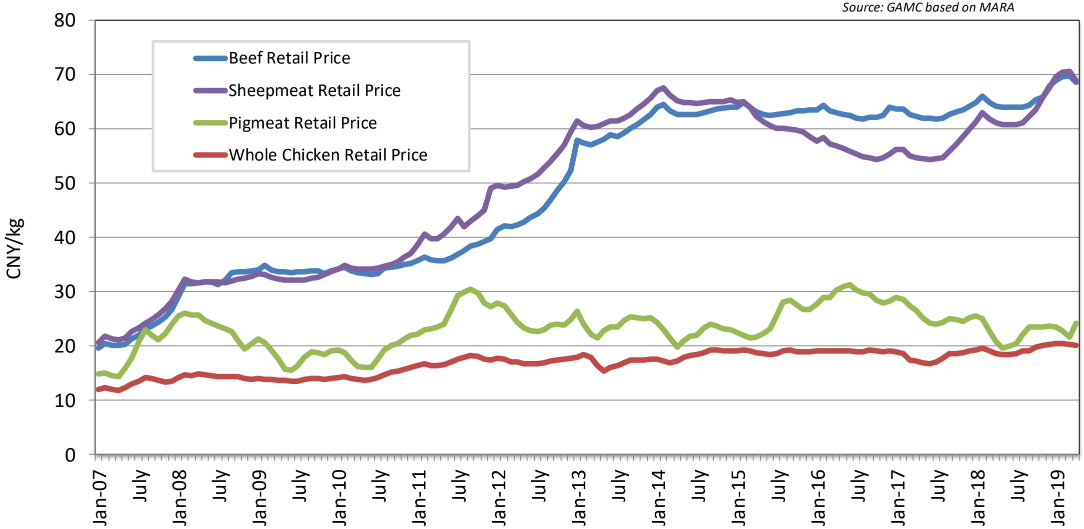
Per Capita Consumption 2018



Source: Gira compilations

CN Retail Prices, 2007- March 2019

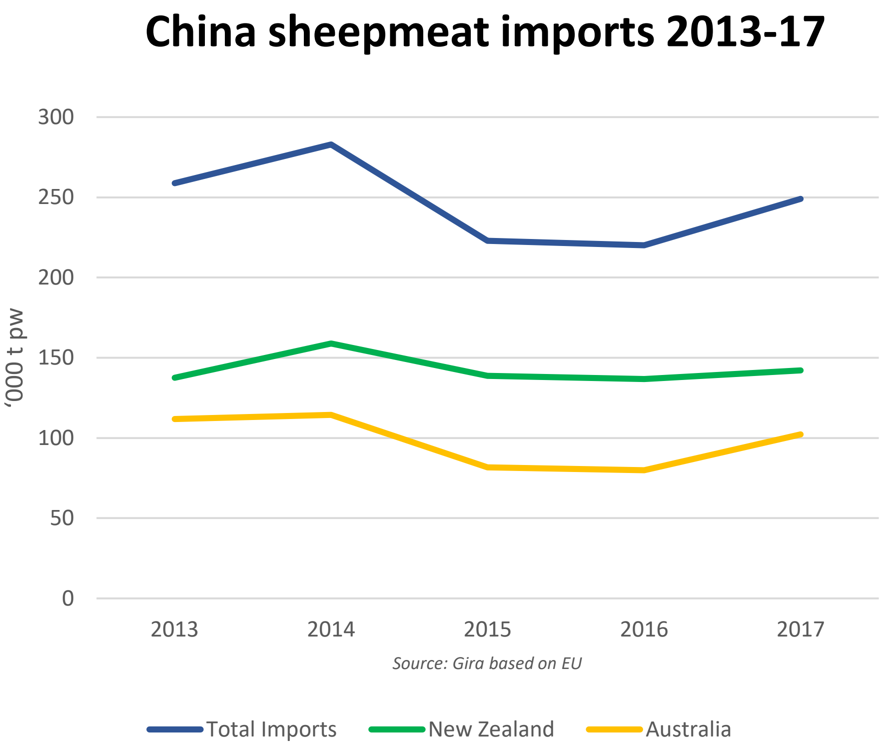
Source: GAMC based on MARA



- A market of 1.4 bio people, with increasing disposable incomes
- All alternative meats will gain from pigmeat's ASF problems
- But only chicken is in the **right price range** for major gains, **if supply is available**

China Sheepmeat Imports

Dominated by NZ & Australia >96% of supply to CN market



- China has a huge demand
  - ~ 250,000 tons annually Lower value cuts
- Heavily targeted by NZ & AUS
  - >96% of market
  - Opportunity for EU to export **direct** to China
  - EU export ~ 30k tons/yr of which 7k tons goes through HK to China
- Opportunity for the EU **direct**?
  - Reduced domestic demand
  - Strong NZD affecting export competitiveness
  - Difficulties in entering the market
    - Approve EU health standards
    - Inspect individual slaughterhouses
    - Perceived scrapie issue?
    - 7 Year project

Thank you for your attention

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