

This report offers a comprehensive overview of the global sheepmeat industry and Australia's trade relationship with the world.

Summary

The long-term outlook for global sheepmeat consumption is largely positive, underpinned by growth in population and household wealth in emerging markets, particularly throughout Asia. Australia produces just 5% of the world's sheepmeat but accounts for 36% of exports, and is the largest supplier to the global market.

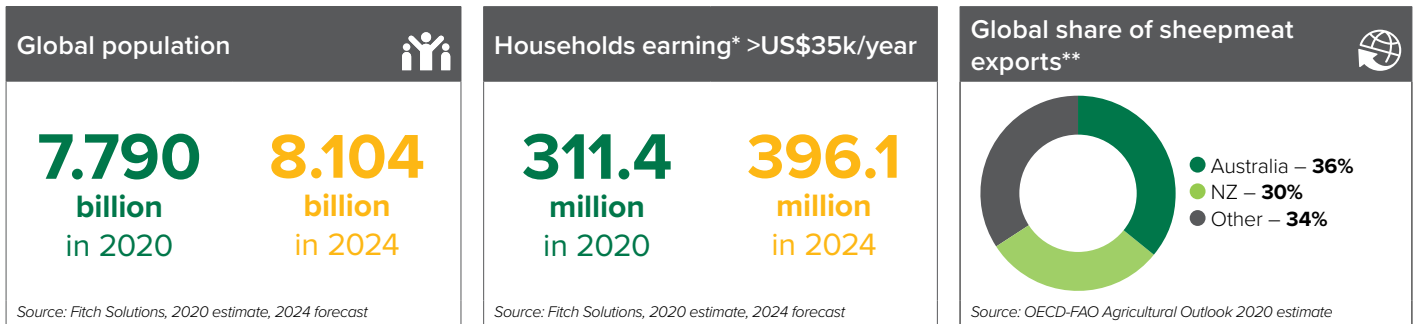
In most markets, lamb and mutton remain niche components of consumer diets compared to beef, poultry and pork, and are experiencing challenges, particularly regarding affordability and familiarity. While 2020 was a particularly challenging year, characterised by the far-reaching impact of COVID-19 and tight levels of Australian livestock supply, many opportunities for targeted growth remain.

Global opportunities for Australian sheepmeat

- Consumption growth is highest in Asia, the Middle East and Africa, where sheepmeat is more widely consumed and a greater number of consumers are shifting into the middle-upper income bracket and seeking higher quality meat.
- African Swine Fever (ASF) has had a significant impact on the global meat trade, with import demand growth led by China across all major proteins in 2019 and 2020, including sheepmeat.
- In most developed markets, sheepmeat remains a niche protein with low per capita consumption, which can be considered both a challenge and opportunity, especially in wealthier markets such as the US.
- Growing consumer interest and awareness of provenance, sustainability, animal welfare, food safety and traceability provide messaging opportunities for Australian brands and underpin ambitious, industry-wide programs for Australia to further differentiate.
- Expansion and modernisation of foodservice industries within developing markets.
- Australia has only one major export competitor, New Zealand, whose sheepmeat exports have been constrained by supply and are forecast to decline by 6.5% for the 2020–21 year ending October.

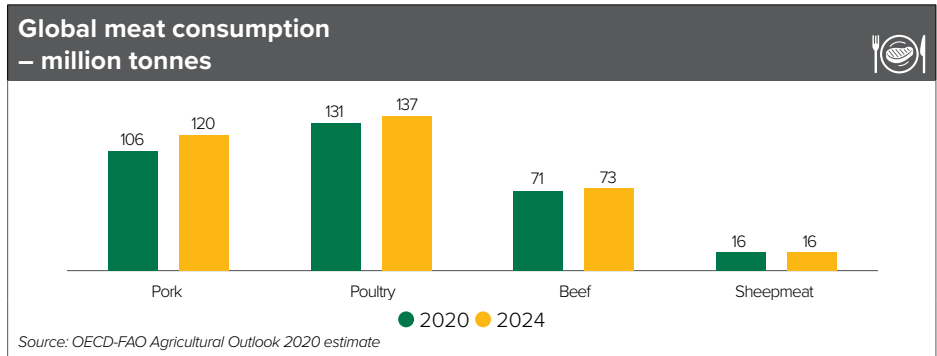
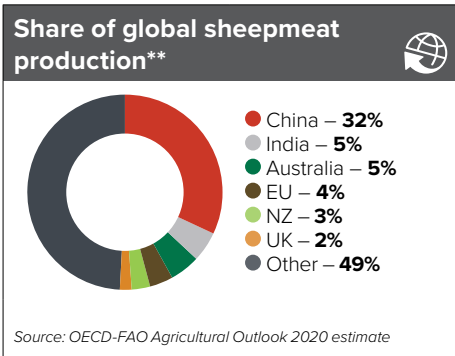
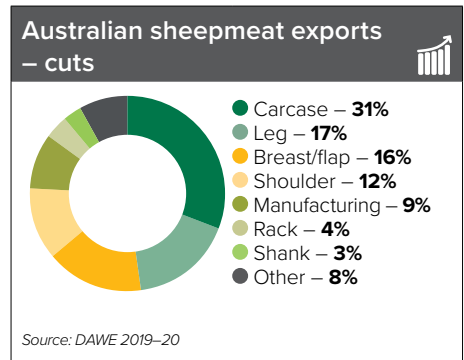
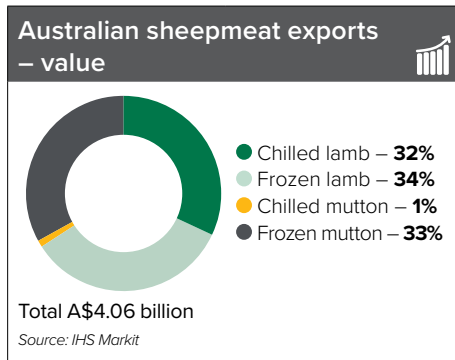
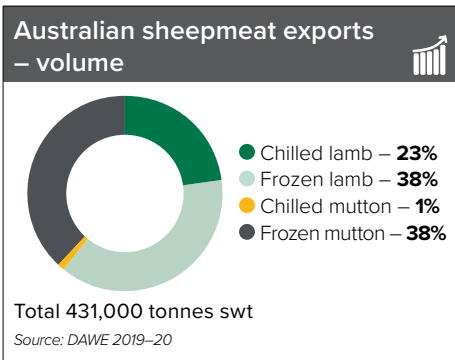
Global challenges for Australian sheepmeat

- Australian sheepmeat production is expected to remain tight in 2021 due to a diminished flock following elevated drought-induced turn-off through 2018 and 2019. Tight livestock supply will be an ongoing challenge for the industry in the coming years.
- COVID-19 has created a multitude of challenges that are likely to continue and evolve over the coming years. Key issues that have emerged are disruptions to foodservice channels and supply shocks created by logistical and processing barriers. Few countries have been exempt from the impacts of reduced tourism, higher unemployment levels and constrained consumer spending, with global GDP growth contracting severely in 2020.
- The high price of sheepmeat compared to competitor proteins such as chicken and pork will continue to weigh on consumption growth.
- There is growing consumer interest in alternative proteins, with a number of meat substitutes becoming more embedded in the mainstream marketplace and competing for market share with sheepmeat and other proteins.
- China's domestic sheepmeat production is expected to take a cyclical upturn in the coming years as producers look to cash in on high prices, possibly cooling import demand in the medium-term.



*includes: EU, Egypt, Bahrain, Iran, Jordan, Kuwait, Qatar, Saudi Arabia, UAE, US, Canada, Mexico, Japan, Korea, China, Australia, ASEAN, Taiwan and Hong Kong. Disposable income = earnings after taxes and social security charges.





**includes goatmeat

Major impacts of COVID-19

The impact of COVID-19 has been multi-faceted and far-reaching, requiring swift adaptation and flexibility to navigate the multitude of challenges it has created. While the majority of global industries have grappled with the effect of COVID-19, the agriculture sector has adapted and performed well, highlighting the resilience of the sector.

Trade and logistics

COVID-19 has thrust various impacts upon sheepmeat supply chains, with logistical barriers challenging personnel across the world. A combination of spreading COVID-19 cases and social distancing measures have impacted the processing industry, with operational disruptions interrupting production volumes for many suppliers. Trade has been impaired, as disruptions have led to port bottlenecks and congestion, slowing the turnaround of refrigerated shipping containers. Air freight has also been impacted, with disruptions to typical flight paths constricting this form of trade.

Foodservice and tourism

The multi-layered impact of COVID-19 has prompted some significant shifts in consumer purchasing behaviours. The foodservice sector has been one of the most impacted industries, with wide-scale shutdowns and operating restrictions across most markets. Operators in the foodservice sector that pivoted to expand takeaway or delivery services were able to weather the COVID-19 storm more successfully. With the reduction in international travel, this has also contributed to the slowdown of the foodservice industry, particularly for markets with large tourism industries such as Vietnam and Japan.

Retail

Retail meat sales performed well off the back of the decline in foodservice sales, with consumers spending more time cooking at home. There was increased consumer interest in country of origin, driven by a preference for food that promotes good nutrition, immunity and overall health.

Economic impacts

COVID-19 has had profound implications on global economic growth, with few countries immune to the impacts of reduced tourism, higher unemployment levels and constrained consumer spending. While the majority of Australia's top sheepmeat markets fell into recession in 2020, all of the top 15 markets are forecasted for GDP growth in 2021, according to the International Money Fund.

Global economic growth projections



While global markets continue to face uncertainty from COVID-19's economic impacts, international demand for Australian red meat remains buoyant. The global 'mega-trends' of growth in population and disposable incomes, combined with the continuing impact of ASF on global pork supply and demand, underpin a strong opportunity for Australian sheepmeat. However, there is potential for a long-term rise in protectionism (an economic policy of restricting imports from other countries) that could result in a renewed emphasis on food security and a focus on increasing local food production.

GLOBAL CONSUMPTION

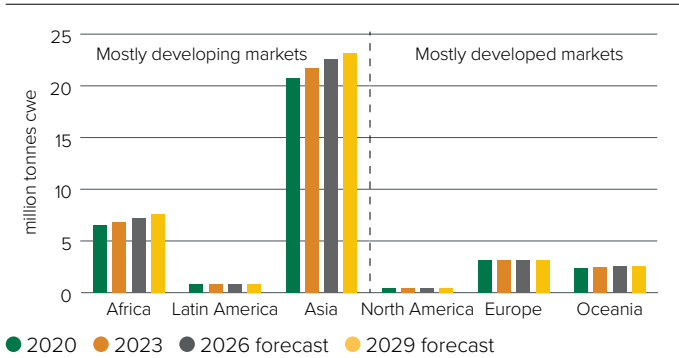
Global sheepmeat consumption is forecast to grow an average of 1.4% per annum out to 2024 (OECD-FAO 2020), largely supported by income growth within developing markets. Relative to 2020, global consumption of sheepmeat is expected to grow by 895,000 tonnes by 2024, while the sheepmeat share of global meat consumption is forecast to hold steady at 4.8% over the coming five years.

World sheepmeat prices have been gradually growing against beef, pork and poultry, and are anticipated to remain at a premium over the next decade. Relative to an index of 2002-2004 prices, global sheepmeat prices have more than doubled, while poultry and pork increased just 51% and 19% respectively (FAO meat price index). Despite this historical rise in price, sheepmeat consumption has continued to edge higher.

Developing markets, led by Asia, are the driving force behind sheepmeat consumption expansion. Household income growth within developing countries is expected to drive further demand for meat, as increasing disposable incomes open up a range of dining opportunities for consumers. Starting from a lower per capita base, developing countries are forecast to account for 77% of additional world consumption growth over the next five years, largely due to population growth, urbanisation and increasing incomes.

Demand in many developed markets is shifting focus from quantity to quality, as many high income countries are reaching saturation levels in terms of per capita meat consumption, with fluctuating consumer preferences leading to a diversification of protein sources. Sheepmeat consumption is less affected by purchasing power than by consumer perceptions, availability and familiarity. Quality is a key factor which will become increasingly important for consumers in high income countries such as the US, the UK and Australia, as consumers seek flavour and experience.

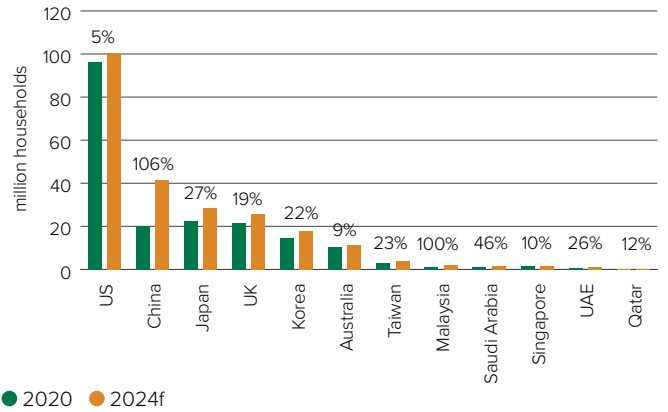
Sheepmeat consumption



Source: OECD-FAO 2020 Agricultural Outlook Middle East and North Africa (MENA) split across Africa and Asia

Consumption growth is increasingly limited by supply availability and price rises outpacing other major meat proteins. For Australia, targeting export markets that have the ability to purchase high quality sheepmeat is key, with households earning over US\$35,000 one measure of the potential market size.

Number of households earning over US\$35,000*



Source: Fitch Solutions
Data labels show percentage growth of 2024 relative to 2020
* Disposable income = earnings after taxes and social security charges.

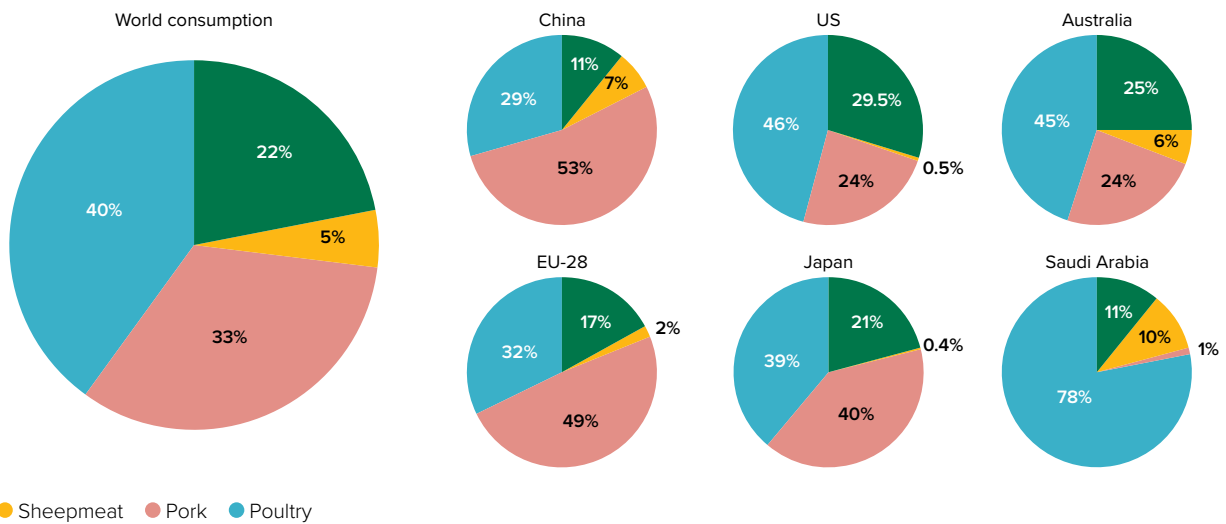
Global consumer trends

Sheepmeat's position in consumer diets around the world varies greatly and is subject to a range of cultural, economic, social and geographical factors. It is considered the preferred meat in many countries – especially those with predominantly Muslim populations and a history of sheepmeat or goatmeat production and consumption – but plays a niche role in many developed markets.

Due to many consumers lacking the familiarity, skills or resources to cook sheepmeat products at home, Australian lamb and mutton are often suited to foodservice channels in markets where consumers are looking for new or novel eating experiences.



Sheepmeat a niche protein in many markets



Source: OECD-FAO 2020 Outlook. Note: This excludes fish/seafood.

For a detailed overview of Australia's primary sheepmeat markets, visit: mla.com.au/market-snapshots

In many developed countries such as the US, Japan and Korea, lamb is a niche product, not readily available or commonly consumed (except in certain demographic segments), with many consumers unfamiliar with how to prepare and cook the product. However, due to the size and wealth of their populations, they still represent strong potential growth opportunities for imported Australian sheepmeat, particularly in foodservice.

In contrast, the position of lamb in Australia is different from most developed countries, with strong awareness and preference arising from a history of consumption. A key challenge in Australia is keeping lamb relevant in homes and restaurants as demographics and consumer preferences evolve. Considering the product diversity of Australian sheepmeat, understanding the consumer in each market and what drives their purchasing decisions is essential to targeted growth. MLA conducts a global consumer survey annually across major export markets to do just this.

Key motivators to purchase sheepmeat

Australia	Freshness	Value	Natural	Safety
China	Safety	Natural	Origin	Nutritional
UAE	Halal	Safety	Environment	Natural
Malaysia	Halal	Safety	Natural	Freshness
Qatar	Halal	Safety	Freshness	Value
Japan	Safety	Freshness	Value	Natural
US	Freshness	Safety	Natural	Value

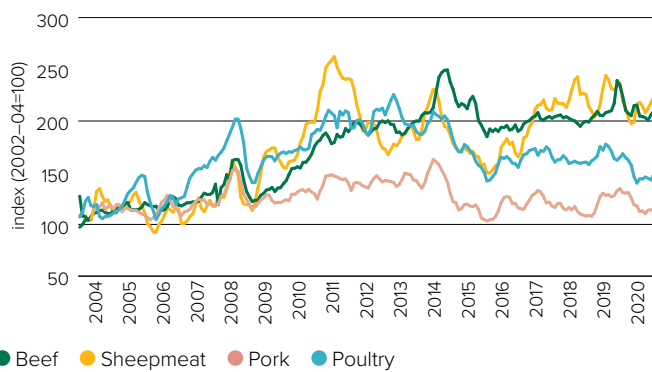
Source: MLA Global consumer tracker

Perceptions of sheepmeat and other proteins vary significantly around the world, but there is consistency regarding consumers seeking products that are fresh, safe and enjoyed by the whole family. The development stage of the country does impact the importance of attributes, with developing countries typically focusing more on safety and freshness, and developed nations emphasising quality and differentiation.

Broad consumer trends evident around the world in foodservice and retail channels and affecting sheepmeat consumption are shifting towards:

- fresher and less processed offerings
- customised meals
- messaging relating to provenance and health e.g. 'grassfed', 'free from antibiotics', 'natural'

World meat price indices



Source: FAO

In European countries such as the UK, France and Spain, sheepmeat is heavily consumed over the Easter period. However, in the Muslim world, consumption peaks during the religious festivals of Eid Al-Fitr and Eid Al-Adha. Sheepmeat encompasses a range of products – prime lamb, mutton (often interchangeable with goatmeat), high quality loin cuts and lower value secondary cuts for manufacturing products or hot pots – each of which holds a unique position depending on market and consumer segment.

Developing markets such as China and those in the Middle East tend to have a stronger affinity with sheepmeat through cultural or religious customs, but price remains a major barrier for many consumers. Lamb and mutton have reputations as superior meats (MLA Global Tracker 2020) within many of these developing markets, which presents a substantial opportunity to build on these perceptions. These regions are forecast to record the highest growth in population, urbanisation and household incomes.



- e-commerce and different delivery methods
- convenient, on-the-go offerings
- smaller but higher quality premium portions
- animal welfare and sustainability.

The popularity of meat alternatives is growing and research indicates that as protein demand evolves in the future, traditional growth drivers may become more contemporary, such as dietary shifts for health and ethical reasons, government regulations, environmental constraints and technological advances. While traditional meat will dominate the protein mix for decades ahead, a growing proportion of the global protein shortfall is expected to be offset by emerging plant-based alternatives, lab-grown proteins and expanding aquaculture production.

Major market themes

China

Sheepmeat currently accounts for a small proportion of dietary protein in China, but has grown gradually over the past decade with rising incomes and urbanisation. Affluent urban consumers appreciate Australian lamb, which offers several advantages considered worth paying more for, including safety and consistent high quality. Increasingly health-conscious, these affluent consumers are less willing to sacrifice quality and nutrition for convenience. This, in turn, is expected to contribute to further growth in demand for higher quality meat, including imported lamb.

The majority of Australian sheepmeat exported to China is sold in foodservice channels in the form of breast and flap, manufacturing, carcass and neck cuts that are processed for use in the sector, particularly in the form of hot pot rolls.

North America

Lamb remains a niche and unfamiliar protein to around 40% of US consumers due to taste concerns and limited knowledge on how to prepare it. However, US consumers are progressively increasing their willingness to try lamb, particularly the millennial generation.

Lamb has been regarded as a seasonal food for specific holidays, and is often eaten out-of-home. The penetration of lamb on US restaurant menus has grown steadily over the last decade, underpinned by growth in casual, fine dining and quick service restaurants.

Middle East

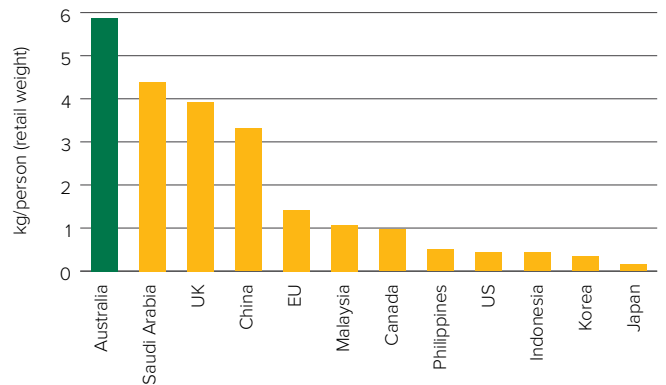
The Middle East is regarded as a significant market for sheepmeat, with an established carcass trade to the region seeing further growth due to increased flights through the Gulf. Australia has been a key sheepmeat supplier to the Middle East and North African (MENA) markets for over 50 years, building a strong, positive reputation, hence it is well-placed to meet the growing demand for higher value product.

Consumers who have tried premium Australian lamb particularly appreciate its consistently high quality, good taste and healthiness. While the majority of the sheepmeat market in MENA is commodity product in carcass form, premium lamb consumption and import demand are forecast to continue increasing in a number of markets, particularly Gulf countries, driven by increasing disposable incomes, ongoing urbanisation and Westernisation, young populations and large groups of wealthy expats.

For the latest outlook on Australian export markets, visit: mla.com.au/prices-markets/overseas-markets/



Annual sheepmeat consumption per capita



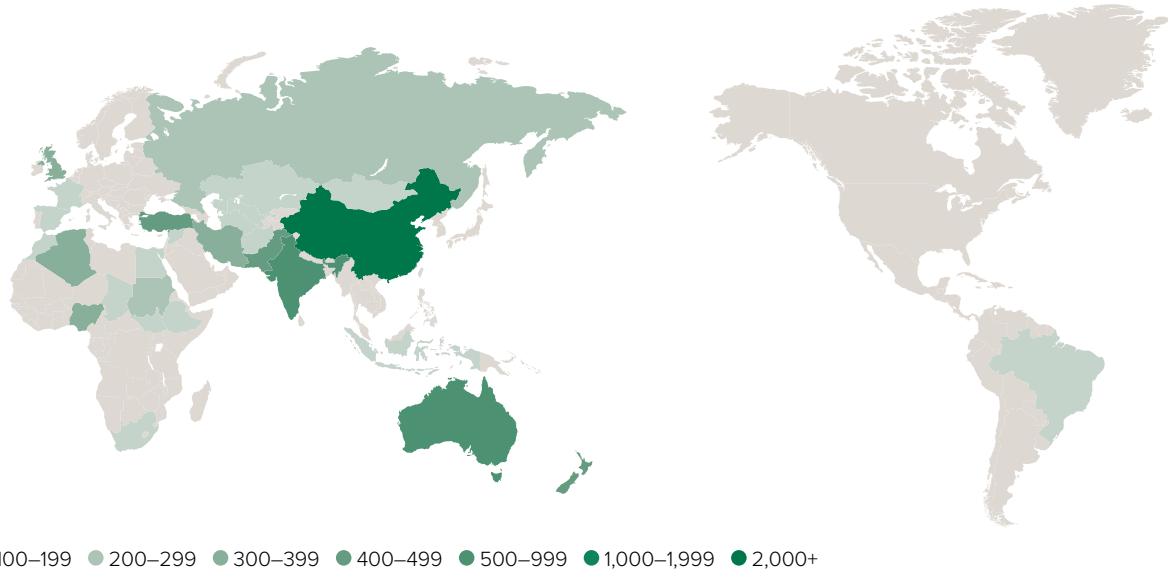
Source: OECD-FAO 2020



GLOBAL SUPPLY

Sheep and goats feature in traditional production systems across Asia, the Middle East, Africa and Europe. Farms often remain small-scale, with nomadic foraging still present in some cases – a stark contrast to industrialised pork, poultry and, to a lesser extent, beef production. Sheep are regularly grazed on marginal country and can be integrated with wool and dairy production, with meat sometimes a by-product.

Global sheepmeat production



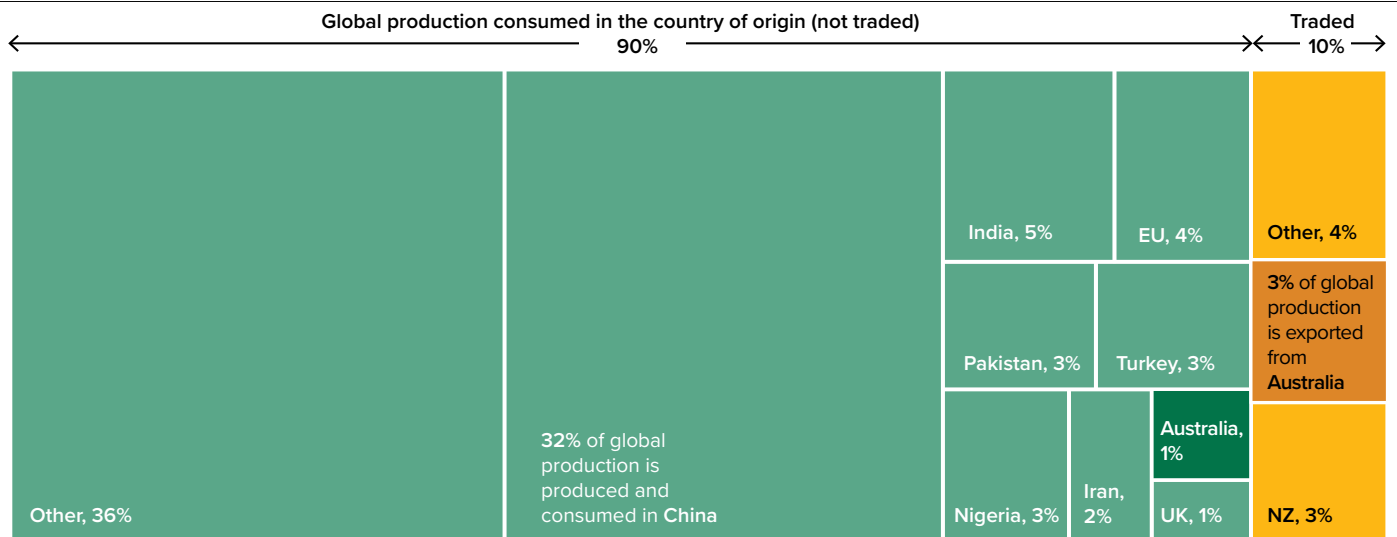
Source: OECD-FAO 2020, thousand tonnes cwe

Sheepmeat often plays a minor part in the agricultural mix and a niche role in consumer diets. As such, most production is largely consumed in the country of origin and few countries have an exportable surplus – under 10% of production is traded globally and Australia and New Zealand account for over 70% of global exports. Predominantly raised on pasture or supplemented with grain in contrast to other meat proteins, sheepmeat production is less dependent on the global feed grain market and more so influenced by climate variability. In many countries, cropping and intensive animal production have competed with and squeezed out extensive sheep systems – as has been the case with broadacre cropping in Australia and dairy in New Zealand. Global sheepmeat production has been rising, and over the decade to 2020 grew at a compound annual growth rate of 1.6%

according to OECD-FAO. This growth is below the 3.1% of poultry, yet ahead of the 0.8% of beef. Much of the growth can be attributed to the large expansion of the Chinese sheep industry. This growth has been accelerated in recent years, with many small-scale producers making the shift from pork to sheepmeat in an attempt to mitigate the risks associated with the ongoing battle against ASF. While global sheepmeat production is forecast to continue expanding, it will remain a minor protein and make up less than 5% of the global meat supply over the coming decade.

Sheepmeat supply in three countries has been key to global markets in recent years: China, the world’s largest producer, consumer and importer of sheepmeat, and Australia and New Zealand, the two leading global exporters.

Global production breakdown: sheepmeat consumed domestically versus exported, by country of origin



Source: OECD-FAO 2020 Outlook

Country labels reflect origin of sheepmeat production. Box area and % labels reflect size of production volume split across sheepmeat consumed domestically in country of production or exported.



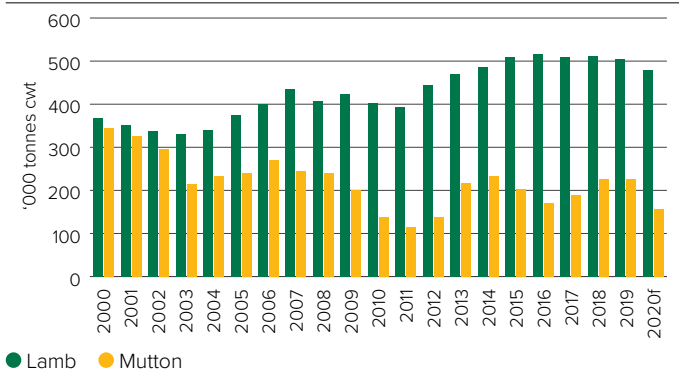
Despite being two of the most efficient and cost-competitive producers in the world, neither Australia nor New Zealand is in a position to capture the entirety of the growing global lamb market, given that both countries combined account for under 8% of global sheepmeat production. Both suppliers will continue to focus on premium segments within key export markets.

Australia

Australia's supply outlook over the coming years is set to improve. Following on from a sustained period of drought in 2018–19, notable levels of rainfall have resulted in increased pasture availability, predominantly across the eastern states, which has created the opportunity for producers to rebuild flock numbers after several years of high turn-off. The Australian sheep flock was estimated at 64 million head in 2020, down 7% on the average level between 2015–19.

Australian sheepmeat production, in the long run, is expected to expand. Growth in lamb production over the last three decades has been underpinned by an industry shift from predominantly wool to an increased emphasis on meat production, with corresponding improvements in lambing rates and carcass weights. However, mutton production has generally declined since 1990, following trends in the national flock and mirroring short-term variation in seasonal conditions.

Australian sheepmeat production



Source: ABS, MLA forecast

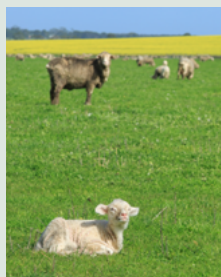
The quality of Australian sheepmeat is guaranteed through an assortment of traceability systems, underpinning Australia's competitive edge. The main systems underpinning Australian sheepmeat are:

- the National Livestock Identification System (NLIS)
- Livestock Production Assurance (LPA)
- the National Vendor Declaration (NVD).

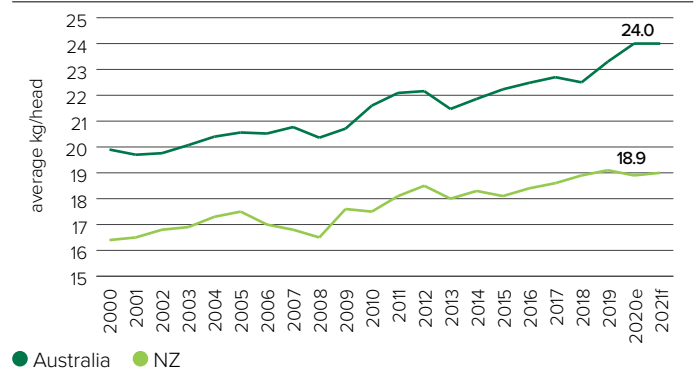
For the latest outlook on Australian traceability systems visit: integritysystems.com.au

Through these systems, Australia is able to protect the disease-free status of Australian sheepmeat and maintain Australia's image as a clean, safe and natural producer and exporter of red meat.

For a detailed update on the Australian supply outlook, visit: mla.com.au/sheepprojections



Australian and NZ lamb carcass weights



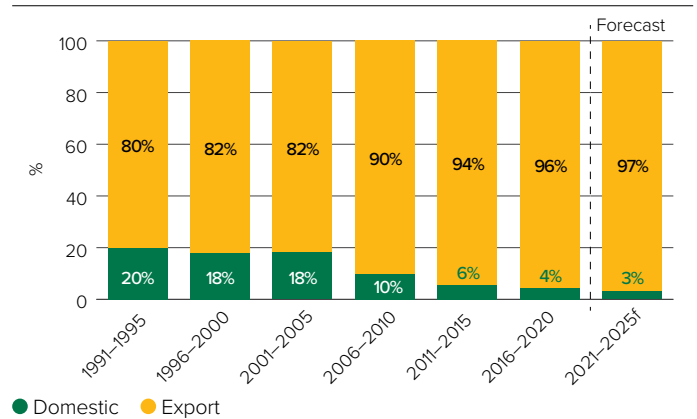
Source: MLA calculations, Beef and Lamb NZ

New Zealand

New Zealand is Australia's principle competitor in the global export market, particularly when it comes to high quality lamb, exporting 386,000 tonnes shipped weight (swt) of sheepmeat in 2019–20 (Australia shipped 462,000 tonnes swt). Squeezed out by an expansion in the dairy cattle herd, the New Zealand sheep flock contracted by 23% between 2007 and 2014, and has continued to decline, albeit at a slower rate, although any lifts in productivity over the past decade haven't been sufficient to offset this decline.

Despite a contraction in supply, exports were maintained at the expense of the domestic market over the past decade – the domestic share of production declined from 20% in the early 1990s to currently sit at just 6%.

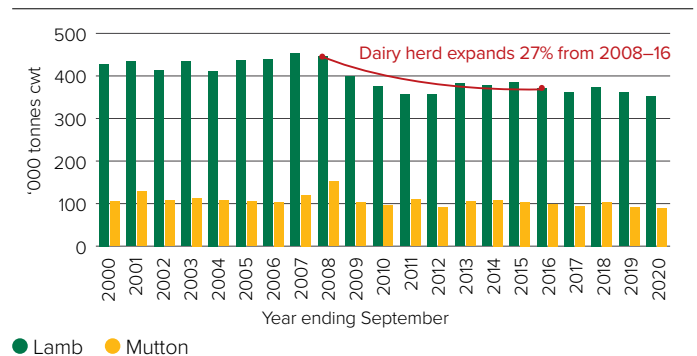
NZ sheepmeat market mix



Source: OECD-FAO 2020 Outlook

Encroaching environmental regulations in New Zealand, designed to limit nitrogen leaching from the dairy sector, may also limit expansion of the sheep and beef industries. Meanwhile, the New Zealand government's ambitious target for the country to be carbon neutral by 2050 may see marginal sheep country converted to forestry and some shifts to horticulture and low-emission crops on more productive land.

NZ sheepmeat production



Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand

China

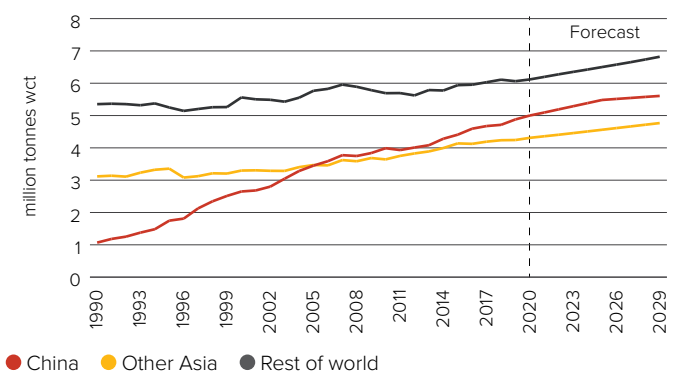
China has been unable to achieve sufficient productivity gains in sheepmeat production to meet growing sheepmeat consumption demand over the last decade, hampered by land degradation and resource constraints. The emergence of China as a major importer has completely transformed the global sheepmeat trade and pushed prices to record highs in recent years.

China has the world's largest sheep flock and accounts for one third of global sheepmeat production, yet sheepmeat pales in comparison to the size of the nation's domestic pork and poultry sectors, and to a lesser degree, beef. Chinese sheep production is cyclical in nature, with opportunistic small-scale producers entering and exiting the market quickly, depending on price. While dominated by traditional production methods, modern sheepmeat producers using imported genetics and intensive feeding have gained a footing in north-eastern provinces.

Given 95% of China's sheepmeat consumption is domestically-produced, small shifts in local supply can lead to major swings in import demand. Pre-empting the cycle is difficult due to a range of interconnecting factors – from Chinese government policy on food security and rural development, to ongoing drought and resource constraints in key production areas. However, given widespread price rises across all proteins in China driven by ASF, producers may be incentivised to increase production – especially those in northern regions who previously raised pigs but now deem the enterprise too risky.

Chinese production and consumption of sheepmeat is forecast to peak around 2021 and then return to more normal levels as the pig herd recovers from ASF.

Global sheepmeat production growth led by China

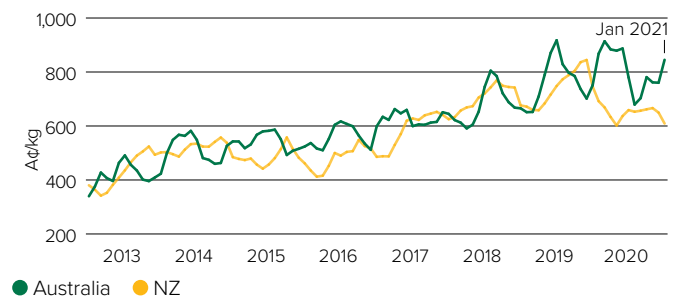


Source: FAO-OECD 2020 Outlook

Cost of production

With supply growth of sheepmeat out of Australia and NZ unable to keep pace with growing global demand led by China, prices have continued to break records in recent years. In addition, as highlighted in the latest *agri benchmark* report, global returns for sheep enterprises have been strong and profitable (far better than beef cattle enterprises) in recent years. Typically, this would attract an array of new entrants to the export market, however, this is yet to happen, likely due to resource constraints limiting expansion and a general inability for most countries to be cost-competitive with Australia and NZ, particularly in producing high quality lamb.

Australian and NZ lamb prices



Source: MLA, Agri HQ

Europe, particularly the UK, remains the alternative production centre for prime lamb, however, it lacks the on-farm economies of scale and efficiency to compete with the rest of the world and predominantly relies on EU Common Agriculture Policy subsidies to remain profitable.

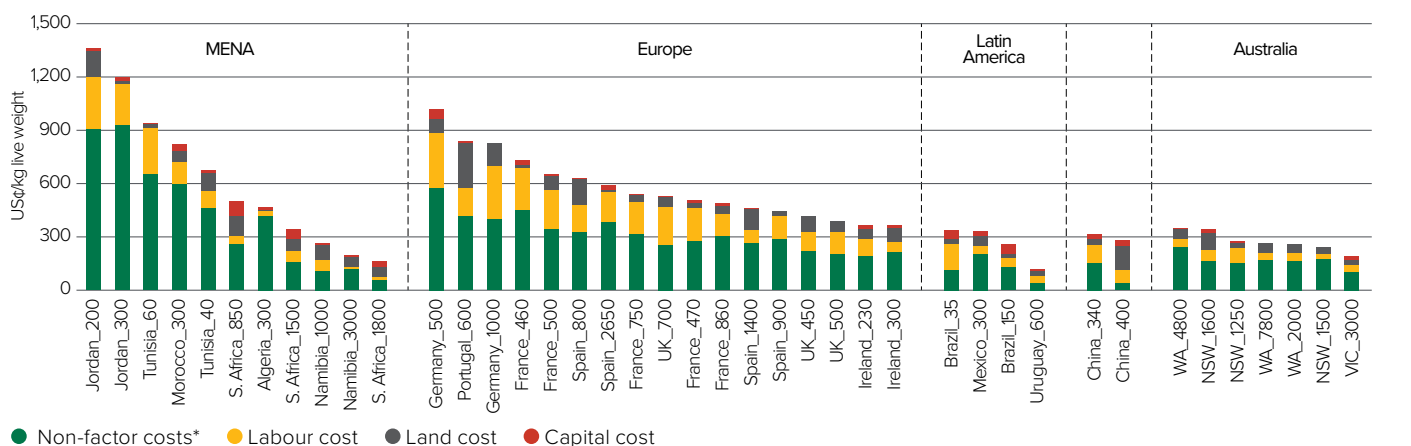
While some countries in Latin America can produce sheepmeat relatively cheaply, they remain small in the global picture, domestically focused and unable to export significant volumes (the entire region produces half that of Australia).

Asia will likely be the driving force of future production growth, however, countries such as India, Pakistan and China are unable to match Australia and New Zealand on quality (with goatmeat accounting for a large part of supply), while producers across the Middle East grapple with increasing climate variability and resource constraints.

For more information on the performance and competitiveness of Australian sheep producers, visit: mla.com.au/agribenchmark



Costs of sheepmeat production



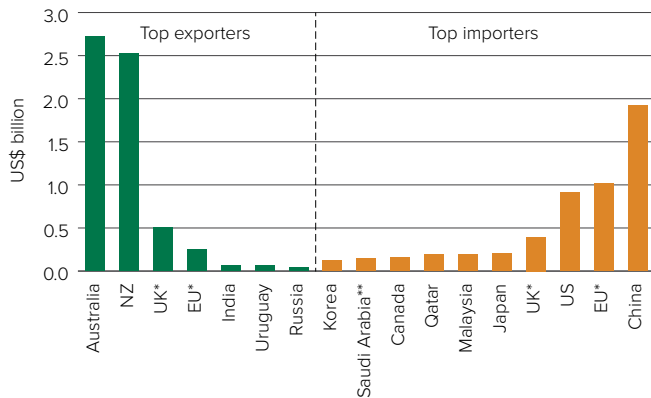
Source: *agri benchmark 2018 data*. Data are for typical farms across a range of sheep producing countries. Country identification indicates number of ewes per farm. *Non-factor costs largely represent variable costs directly associated with the sheep enterprise, such as feed, machinery, shearing, marking and replacement sheep purchases.



GLOBAL TRADE AND DEMAND

Asia and the Middle East have underpinned global import demand growth over the last decade, and will remain key markets for Australian sheepmeat. These regions are diverse and cater to a broad array of cuts and products – from chilled airfreight carcasses into Qatar, to frozen breast and flap into China. In addition, high value targeted opportunities exist in developed markets such as the US, the EU and Korea, where lamb plays a niche role in diets.

Top sheepmeat exporters and importers

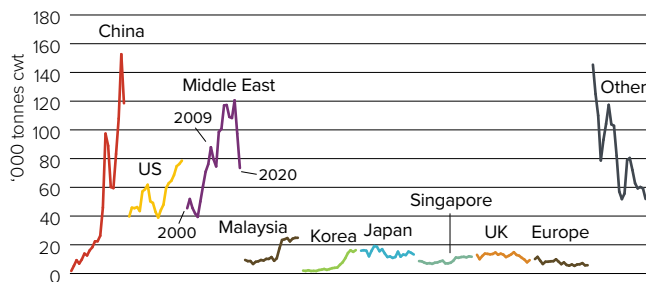


Source: IHS Markit, FY2019–20
 *EU only includes external trade but UK includes trade within and outside the EU
 **Global export value to Saudi Arabia is used as import figures are not available

Over the past decade, an average 10% of global sheepmeat production has been exported. This figure is expected to decline in the coming years as China ramps up its production volumes. With the influence of ASF on global trade, pork has remained in limited supply. The global percentage of pork exported reached 11% in 2020, up from 9% in 2019 and 7% in 2018.

The value of the Australian sheepmeat export industry continues to build. Benefiting from a diverse and expanding array of markets and a growing affluent consumer base, the value of Australian sheepmeat exports doubled over the last decade to reach A\$4.1 billion in 2019–20.

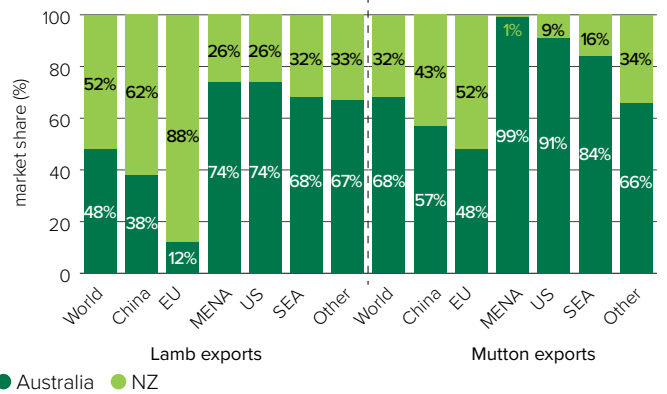
Australian sheepmeat exports (2000–2020)



Source: DAWR
 Data shown spans 2000–2020
 Other is largely comprised of South Africa, Russia, Singapore, Mexico and PNG

In most markets, New Zealand product is the principle competitor (other than domestic supply) to Australian sheepmeat. However, Australia has a stronger presence in the US and Middle East, while New Zealand has greater share in China and the EU. Due to a prime-lamb geared production base and smaller domestic market, New Zealand exports a greater proportion of sheepmeat as lamb compared to Australia. However, due to its market-mix and favourable freight linkages, Australia is able to export a greater volume of sheepmeat in chilled form compared to New Zealand.

Australia and NZ sheepmeat market shares*

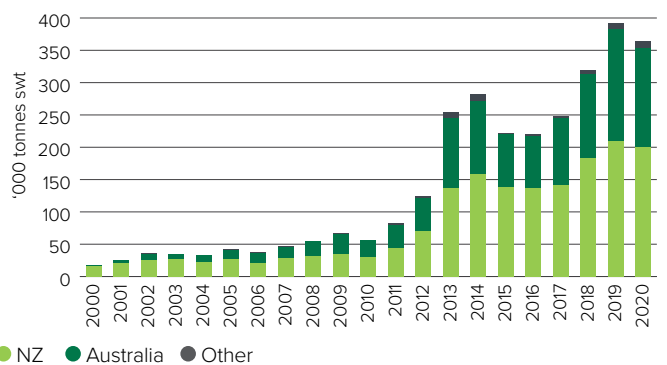


Source: Statistics NZ, ABS, FY2019-20
 *Shares are solely between Australia and NZ and ignore domestic product and other exporters

In 2020, imports accounted for approximately 70% of total sheepmeat consumed in the US. Australia is the largest supplier of lamb to the US (79% of imports), and has been the fastest growing major importer (127% growth since 2012). Chilled lamb remains a key category for the US, and in 2020, exports were 35,500 tonnes swt, up 23% on 2019 levels.

China rapidly expanded as a major buyer of sheepmeat in 2013, with Australia and New Zealand expanding exports to the market, and is now a larger market for New Zealand than the EU. While Australia has also increased exports to China, it has affected other major markets to a lesser degree, with shipments to the US and South-East Asia performing well regardless of the volumes heading to China. Mutton exports to some price-sensitive markets in the Middle East, however, have been more affected by strong buying power from China and limited supply in 2019.

China sheepmeat imports



Source: IHS Markit
 Note: Due to the nature of reporting, discrepancies can occur between import and export figures



Market access

With growth in the Australian domestic market limited, trade is central to the ongoing viability of the sheepmeat industry, and pursuing unrestrained entry to global customers remains critical. Australia's access to export markets has generally improved over the past three decades, led initially by multilateral negotiations through the World Trade Organization, and more recently through a series of bilateral and regional free trade agreements (FTAs). Reductions in non-tariff barriers such as shelf life restrictions have also been advantageous, however, many remain and have a noticeable impact on the cost of doing business.

Australia has some of the best market access globally but trails New Zealand on access to China, with a modest tariff disadvantage due to New Zealand signing a bilateral FTA with China in 2008. Australia also trails New Zealand in regards to EU access, with a disproportionately smaller quota. Australian trade negotiations with the EU commenced in June 2018, while negotiations with the UK began more recently in June 2020. Existing EU quotas will be split between the EU and UK as a consequence of Brexit, which poses interim risks to Australia's access as flexibility to target consumers and market opportunities will be reduced, at least until FTAs across the two markets can be established. Regardless, these negotiations represent the first opportunity in over 40 years to significantly reshape Australia's red meat market access and provide opportunities to modernise the existing trading regime.

Recent political shifts have meant trade liberalisation, resulting in securing additional benefits for Australian sheepmeat becoming increasingly challenging. The increase in protectionism, led by the US approach to trade, does pose some risk, but Australian sheepmeat exports have largely avoided any ramifications from the US-China trade war. However, trade tensions between Australia and China have arisen through 2020, which has resulted in China refusing to import certain Australian agricultural products.

Australia's access to global markets is underpinned by strong animal health credentials, having never had a case of foot-and-mouth disease and being host to a world-leading animal traceability system.

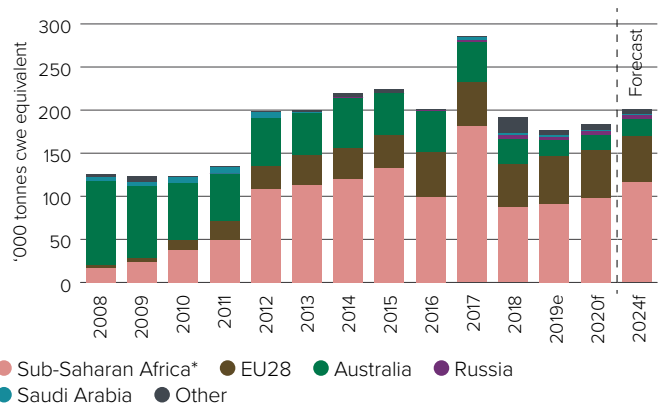
Live exports

Australia is a leading global exporter of live sheep, with the ability to supply lines of disease-free, healthy sheep that perform well in destination feedlots. However, an evolving regulatory environment and shifting political and community perceptions pose risks to the long-term viability of the sheep export industry.

The majority of Australian sheep exports are destined for the Middle East (95% in FY2019–20). While some markets have evolved and now receive sheepmeat in carcass form, demand for fresh meat and the role of sheep during religious festivals will ensure that live sheep continue to be drawn into the region.

Australian sheep play a key role in the sheepmeat supply mix in some Middle Eastern markets, particularly Kuwait and Jordan, but sheep and goats across the region are also sourced from Sudan, Somalia, India, Iran, Romania and Georgia.

Global sheep exports by supplier



Source: GIRA. Includes re-exports.

*SSA includes: Ethiopia, Sudan, Somalia.

**Other CIS includes: Armenia, Azerbaijan, Kazakhstan, Moldova, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan (but not Georgia or Ukraine)

In the MENA region, total live sheep imports from all exporting countries are larger in volume than boxed sheepmeat imports due to cultural traditions and a preference for freshly slaughtered meat. In the 12 months to June 2020, the MENA region continued to be Australia's top destination for live sheep exports, with just under one million head exported, valued at over A\$137 million. Key export destinations are Kuwait, Qatar and Jordan, followed by the UAE, Oman and Israel.

As a result of recent regulatory reforms, live sheep exports are prohibited from departing Australia from early May to late September, with specific dates depending on the port of arrival. As importers diversify their livestock sources, Australia is facing increased competition from South Africa and Romania. Live sheep are also supplied by a number of other countries, including Somalia, Sudan and India, and European countries such as Georgia, Spain, Hungary, France and Portugal.



SUMMARY TABLE

	Australia	NZ	EU-27†	UK	China	India	Pakistan	US
Sheep flock (million head)*	64.0	26.2	64.7	33.8	163.5	74.3	30.9	5.2
Sheepmeat production ('000 tonnes cwt)**	650	411	661	287	5,001	743	481	74
Lamb production ('000 tonnes cwt)**	480	330	-	-	-	-	-	-
Mutton production ('000 tonnes cwt)**	170	81	-	-	-	-	-	-
Average carcass weight (kg/head)***	24.0	18.9	-	-	-	-	-	-
Sheep and lamb exports ('000 head)†	997	-	2,839	261	-	32	-	-
Total domestic consumption ('000 tonnes cwt)††	170	19	717	303	5,406	720	478	162
Production surplus ('000 tonnes cwt)†††	537	435	-56	-2	-404	23	3	-88
Per capita domestic consumption (kg/person cwt)††	6.1	3.4	1.4	3.9	3.3	0.5	2.0	0.4
Sheepmeat exports ('000 tonnes swt)††	431	386.3	22.3	89.2	1	10	3	5.4
Lamb % share of exports††	61	78	15	49	0	1	-	6
Chilled % share of exports††	25	14	35	92	0	93	-	14
Average export price (\$US/kg)†††	5.89	6.52	5.69	5.39	10.90	6.59	4.31	3.07
Top-3 export markets††	China, US, Malaysia	China, UK, US	UK, Oman, Switzerland	France, Germany, Ireland	Hong Kong, UAE, Cambodia	UAE, Qatar, Kuwait	Saudi Arabia, UAE, Qatar	Mexico, Cayman Islands, Dominican Republic

Source: *FAO 2019 (excludes goats), EU Commission, B+L NZ, ADHB, MLA 2020; **OECD-FAO 2020 (includes goatmeat), EU Commission, MLA 2020, B+L NZ, AHDB 2020 estimate; ***MLA (Australian lamb), B+L NZ (NZ lamb), ADHB (UK Lamb), EU Commission 2018 estimate, USDA; †UN Comtrade (2019 data), DAWE (Aust.) 2019-20 actual; ††OECD-FAO (includes goatmeat), MLA (Australia); †††MLA calculation; †EU exports include only external EU trade; ††HS, DAWR (Aust.) 2019-20 actual; †††HS 2019-20 actual. Pakistan export data is not available so OECD-FAO carcass weight equivalent estimate included.

