Sheep Market Outlook

Mark Kozlowski, AHDB Beef & Lamb
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Overview

• Current situation UK
• Current situation rest of the world
• UK outlook
• Wildcards
Current situation in the UK
UK prices below year earlier levels for most of 2015

Increases seen recently

Better than expected start
No seasonal peak
Eid

Chart: GB liveweight lamb price
Source: AHDB Market Intelligence; LAA; IASS
October prices lowest since 2009

Chart: GB liveweight lamb price
Source: AHDB Market Intelligence; LAA; IASS
UK sheep meat production increased in 2015

overall production up 1%

Chart: UK sheep meat production
Source: Defra
UK lamb slaughterings in 2015 were higher than in 2014 - but fell back in Q4

- Large carry over of lambs from 2014
- Earlier Easter
- Eid

Chart: UK lamb slaughterings
Source: Defra
Fewer lambs sold at liveweight have fallen within the SQQ weight band.

Chart: Percent of liveweight lambs within SQQ weight band
Source: AHDB Market Intelligence; LAA; IASS
UK ewe slaughterings below year earlier levels for much of 2015

Chart: UK adult sheep slaughterings  
Source: Defra
Strength of the pound influenced trade in 2015

Chart: Sterling vs Euros
Source: Pacific exchange rate service
UK exports fell in first 11 months of 2015 - but doubts over the accuracy of the data

- Protests by French farmers
- Operation Stack
- £/€ exchange rate
- Shipments held at ports
- Exporters reluctant to send

Chart: UK sheep meat exports
Source: GTIS; HMRC
Overall UK sheep meat imports were lower in the first 11 months of 2015 - volumes from NZ actually increased 4%.

Chart: UK sheep meat imports
Source: GTIS; HMRC
Due to exchange rates UK imports from New Zealand have been cheaper
Total supplies for consumption in the UK have increased.

Chart: Estimated UK sheep meat supplies
Source: AHDB forecasts based on information from HMRC and Defra
Retail sales level over the year but have been higher since September

Good Easter trade
Summer sales were poor
Sales have improved since September

Chart: UK retail sales of lamb
Source: Kantar Worldpanel
Current UK situation summary

- Prices in 2015 have been low compared to recent years
- More recently prices have been increasing
- Production in 2015 was above 2014
- However production declined in Q4 2015
- Less sheep meat was imported to the UK
- Tough export conditions have led to a fall in shipments from the UK
Rest of the world
New Zealand lamb crop fell in 2015/16 season

- Lowest crop in almost 60 years
- 1.7 million lower than 2014/15
- Due to drought and small breeding flock
New Zealand slaughter schedule earlier

High slaughtering is expected to continue to cover the Easter trade

Before falling sharply

Though, exactly when it will fall is disputed

Chart: New Zealand lamb slaughterings
Source: New Zealand Meat Board
Australian sheep meat production is forecast to decline
EU sheep meat production continues to fall

Chart: year on year percentage change in sheep meat production
Source: EU commission
Lower Chinese imports in 2015

- High stock levels
- High levels of domestic production
- Cheap pork

Chart: Chinese sheep meat imports
Source: GTIS; China customs
Rest of world summary

• New Zealand's lamb crop in 2015/16 is its smallest for almost 60 years

• Production in New Zealand higher earlier in the season but expected to fall

• Australian production is expected to be lower in 2016

• Production in the EU has been falling for the past few years

• Chinese demand declined in 2015; not expected to recover until late 2016
UK Outlook
Forecasts based on size of the December breeding flock from Defra figures

Chart: UK breeding flock
Source: Defra and AHDB forecasts
Changes to breeding flock normally reflected in lamb crop

Chart: change in UK breeding flock and following lamb crop
Source: Defra
Previous forecasts for lamb slaughter revised downwards

Chart: UK lamb slaughter forecasts
Source: Defra and AHDB forecasts
... however lamb slaughterings are likely to remain higher in 2016

Chart: year on year change in UK lamb slaughtering
Source: Defra and AHDB forecasts
Adult slaughterings are expected to increase in 2016

Chart: UK adult sheep slaughter forecasts
Source: Defra and AHDB forecasts
Carcase weights expected to fall but stay above the 5-year average

Chart: UK lamb carcase weights
Source: Defra and AHDB forecasts
Overall production in 2016 is forecast to rise.
UK imports forecast to rise in Q1 before falling back for rest of 2016

Chart: year on year change in UK sheep meat imports
Source: HMRC and AHDB forecasts
Overall UK imports should fall in 2016

Chart: UK sheep meat imports
Source: HMRC and AHDB forecasts
Export volumes are expected to increase in 2016

Chart: year on year change in UK sheep meat exports
Source: HMRC and AHDB forecasts
Total supplies for UK consumption to continue increasing in 2016

Chart: Estimated UK sheep meat supplies
Source: AHDB forecasts based on information from HMRC and Defra
Wild cards
Weather
Exchange rates will continue to influence the UK lamb price

Chart: UK deadweight sheep price and potential price based on June 2014 exchange rate
Source: HMRC and AHDB forecasts
Disease

- Disease will continue to be a risk with all forms of livestock
- Blue tongue outbreaks in France have led to movement restrictions for much of country
- Bluetongue also in Romania
UK forecasts summary

- Higher UK production in 2016
- Driven by lower retentions and increased ewe culling
- UK production to fall back in 2017
- Production difficulties in NZ → Lower UK imports
- More favourable export conditions
- Disease, currency and weather wildcards could change this
UK forecasts summary continued

• The expected increase in supplies will put pressure on prices

• However anticipated improving retail sales and more competitive exports could give them some support

• Making sure lambs are marketed when they are at target spec will help producers ensure maximum returns
Thank you

Mark Kozlowski
Phone: 024 7647 38631
Email: mark.kozlowski@ahdb.org.uk
Twitter: mkozlowski1