



Sheep Market Outlook

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AHDB Outlook Conference

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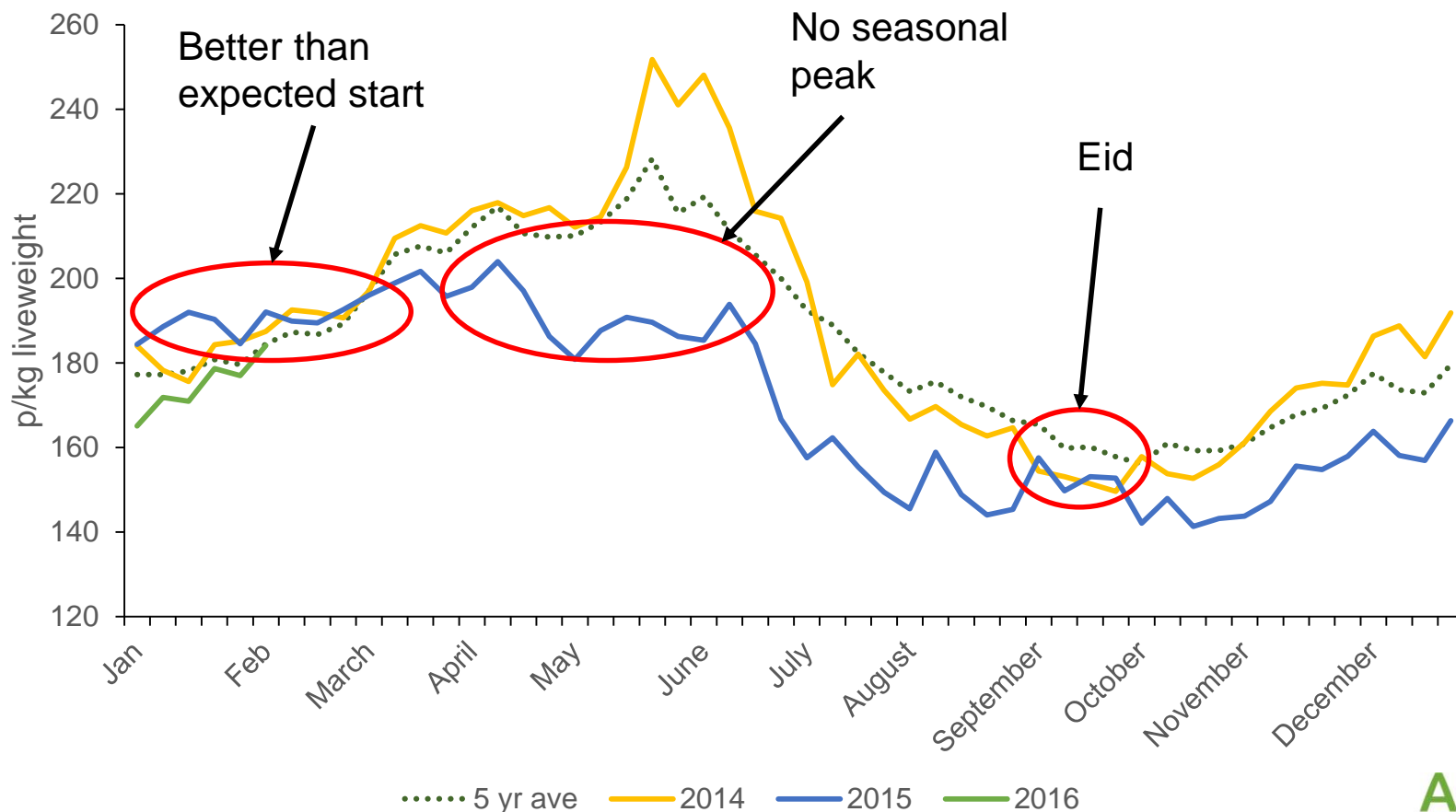
Overview

- 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

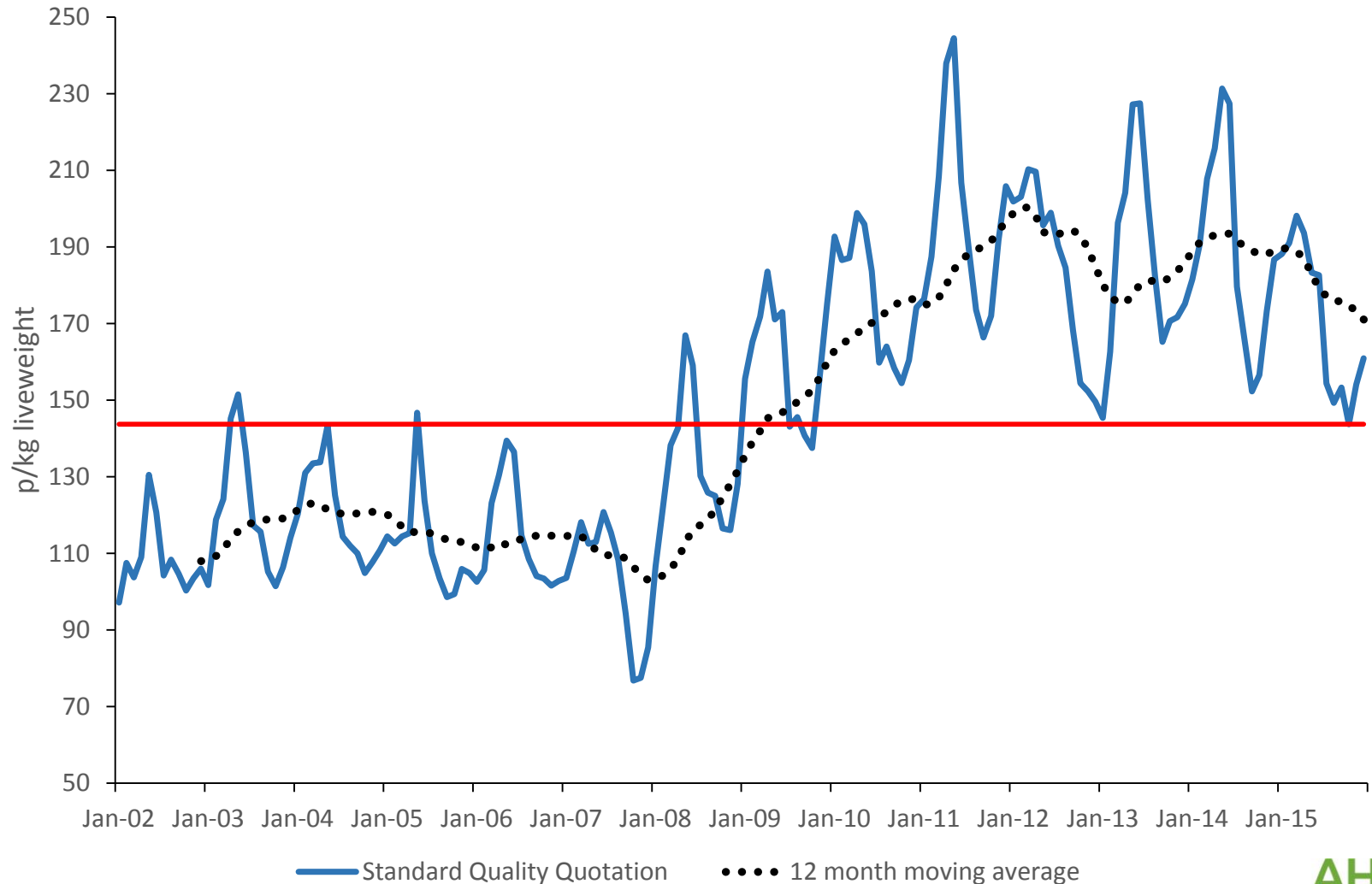
Increases seen recently



..... 5 yr ave 2014 2015 2016



October prices lowest since 2009



UK sheep meat production increased in 2015

overall production up 1%



UK lamb slaughterings in 2015 were higher than in 2014 - *but fell back in Q4*

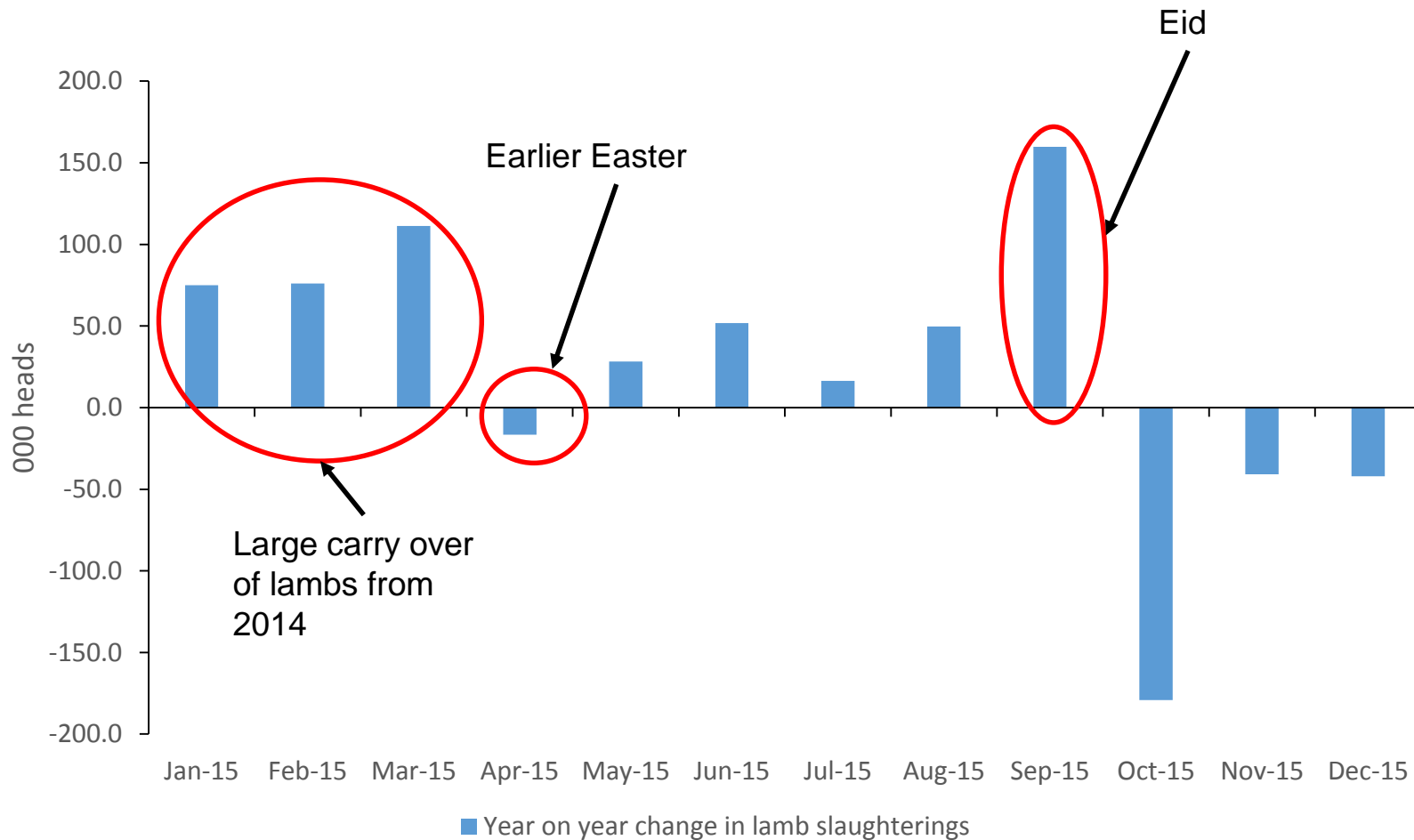


Chart: UK lamb slaughterings
Source: Defra

Fewer lambs sold at liveweight have fallen within the SQQ weight band

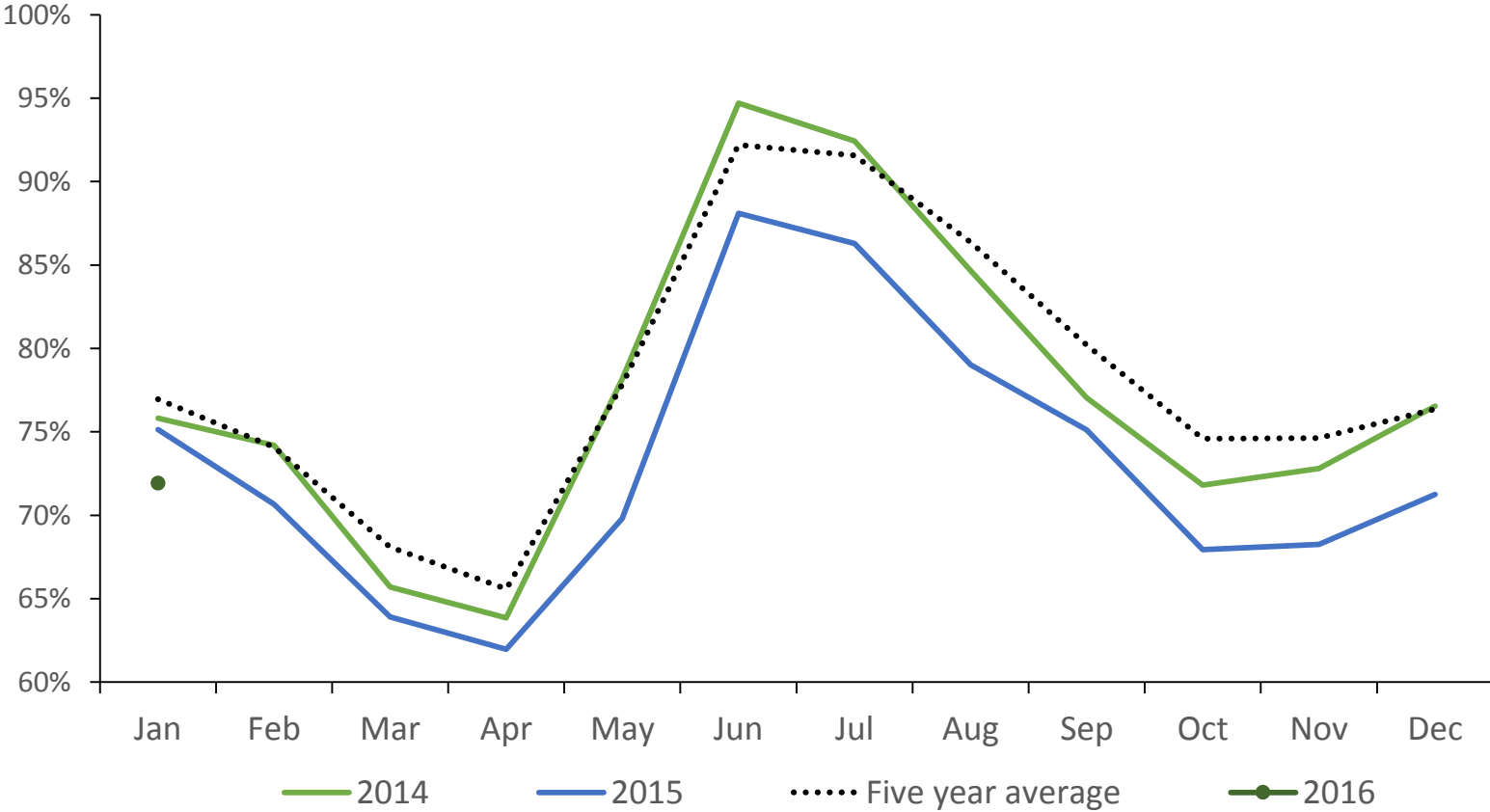
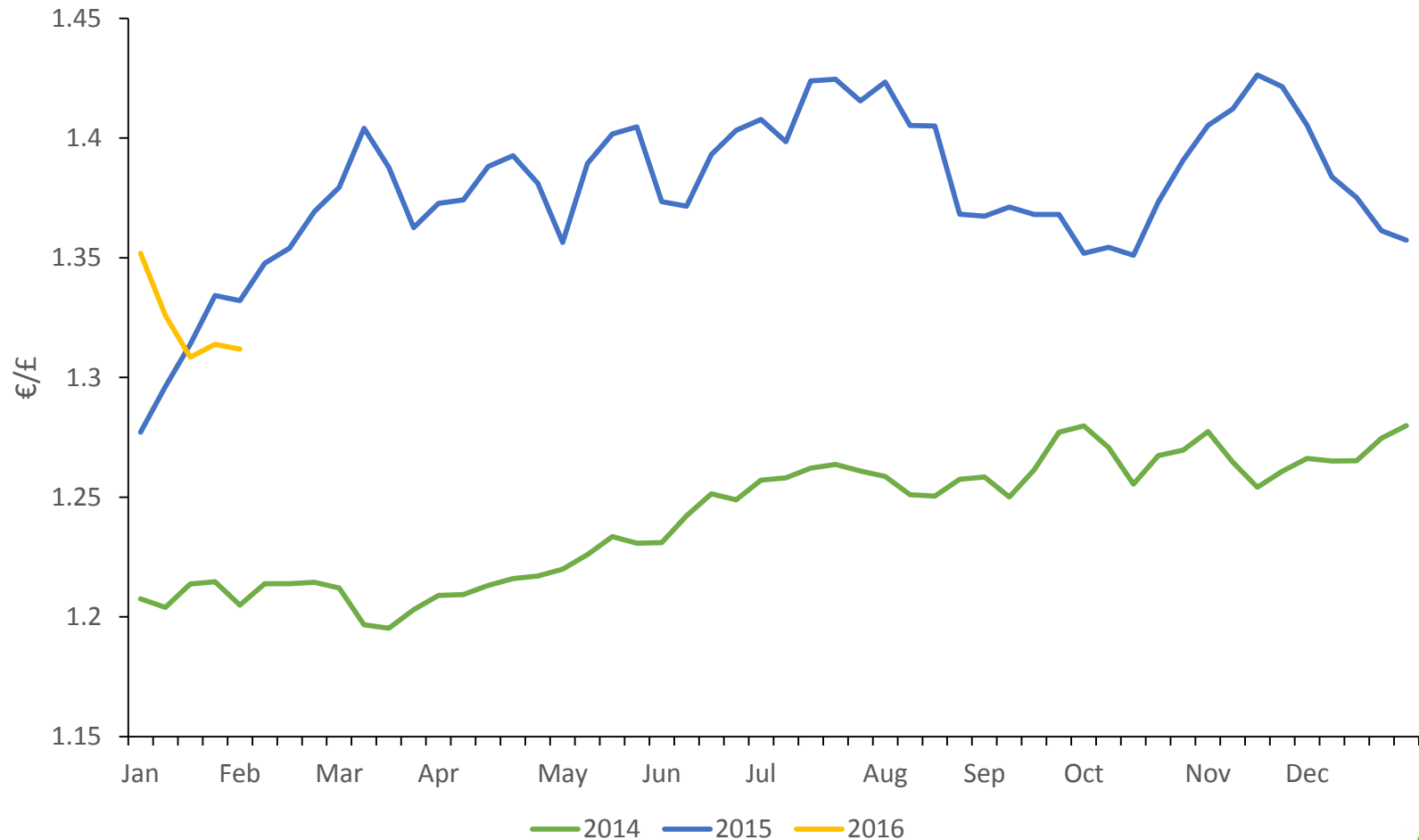


Chart: Percent of liveweight lambs within SQQ weight band
Source: AHDB Market Intelligence; LAA; IASS

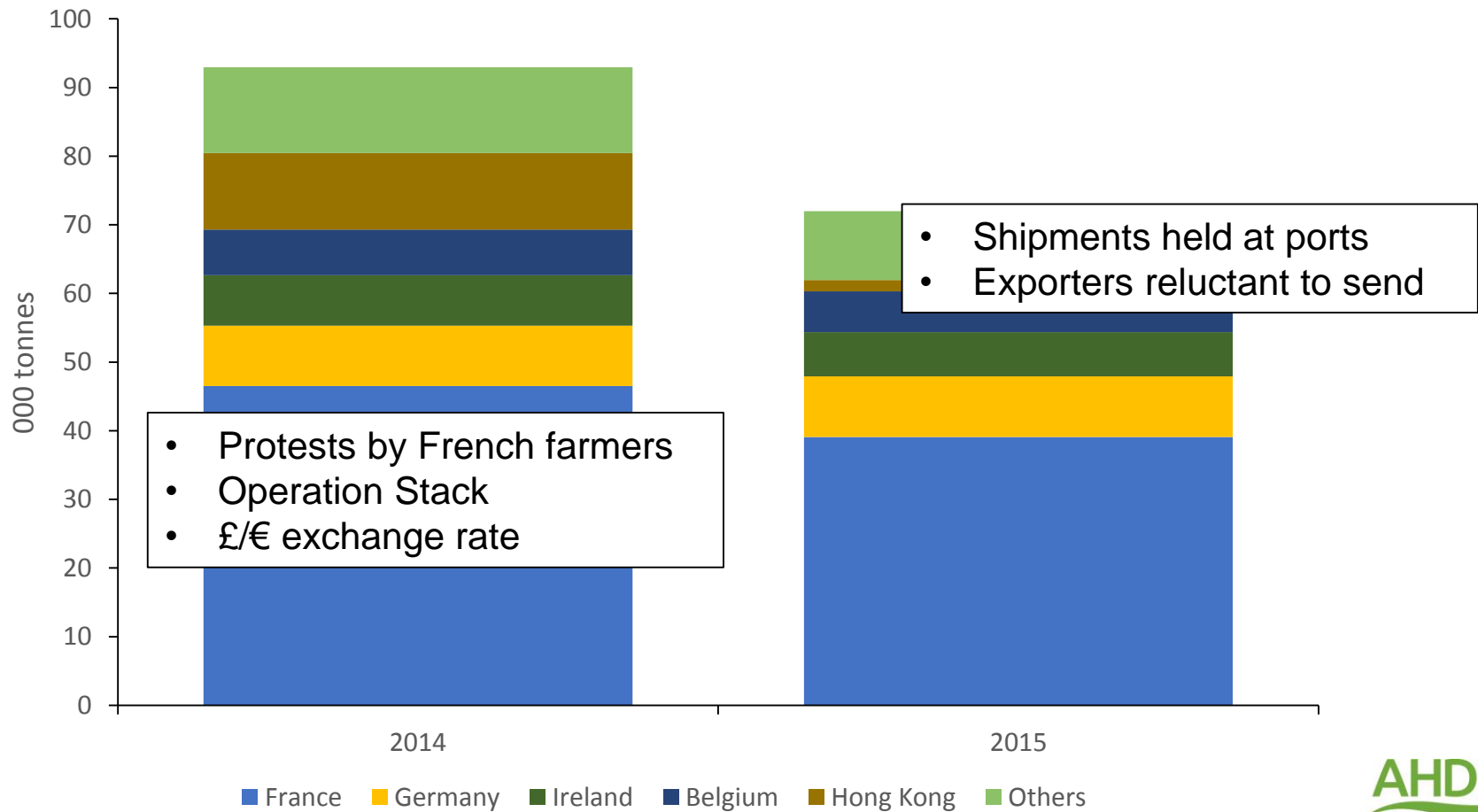
UK ewe slaughterings below year earlier levels for much of 2015



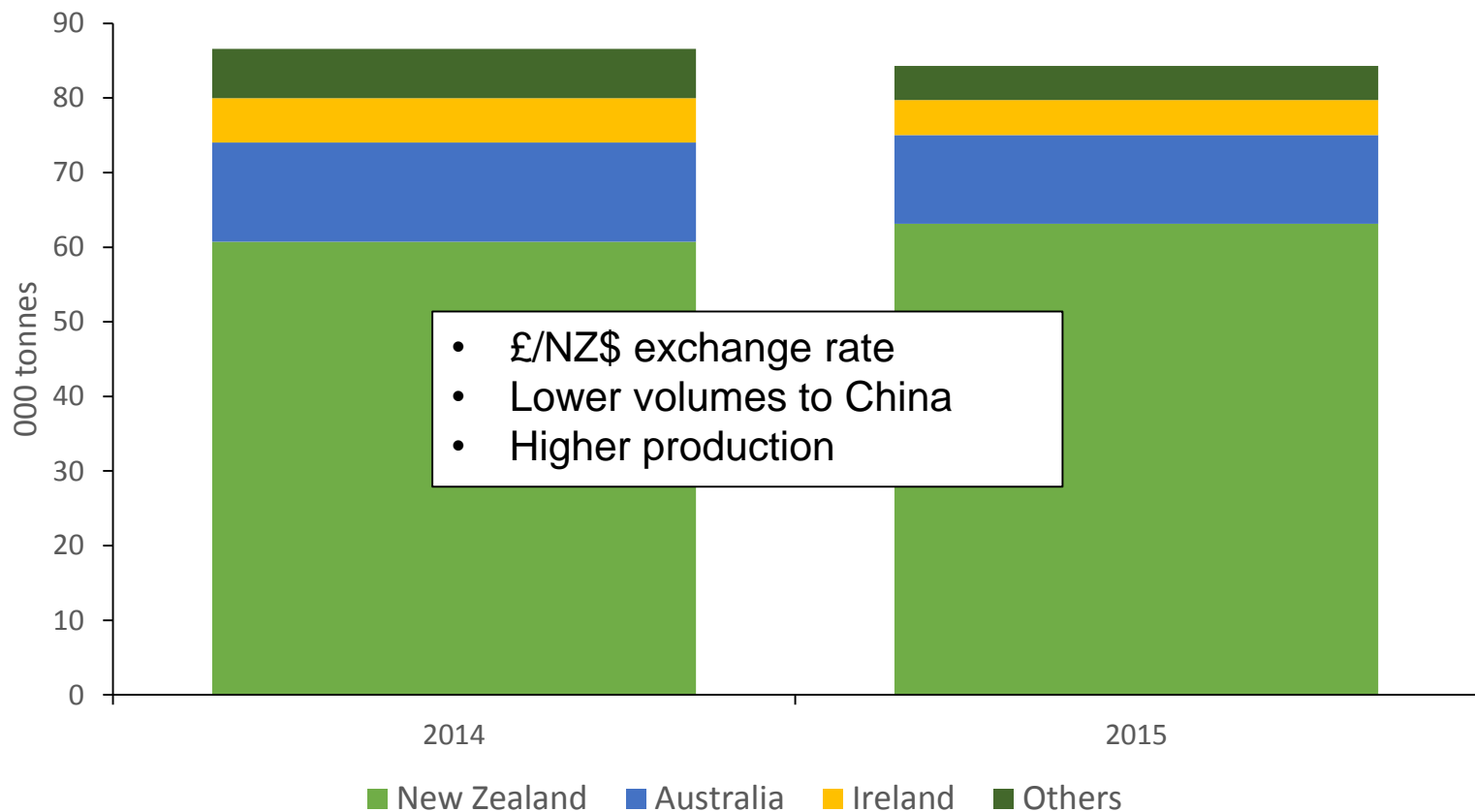
Strength of the pound influenced trade in 2015



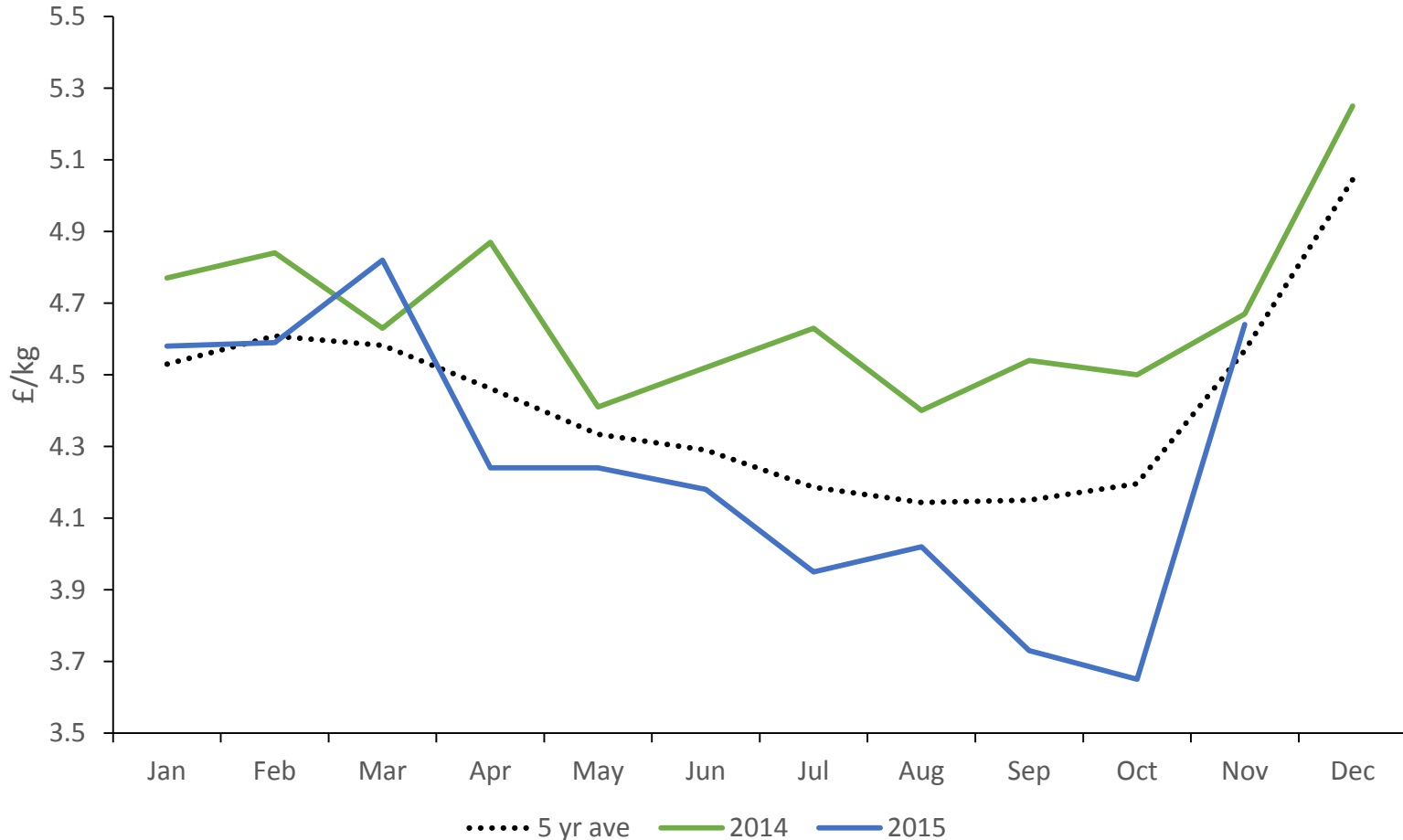
UK exports fell in first 11 months of 2015 - *but doubts over the accuracy of the data*



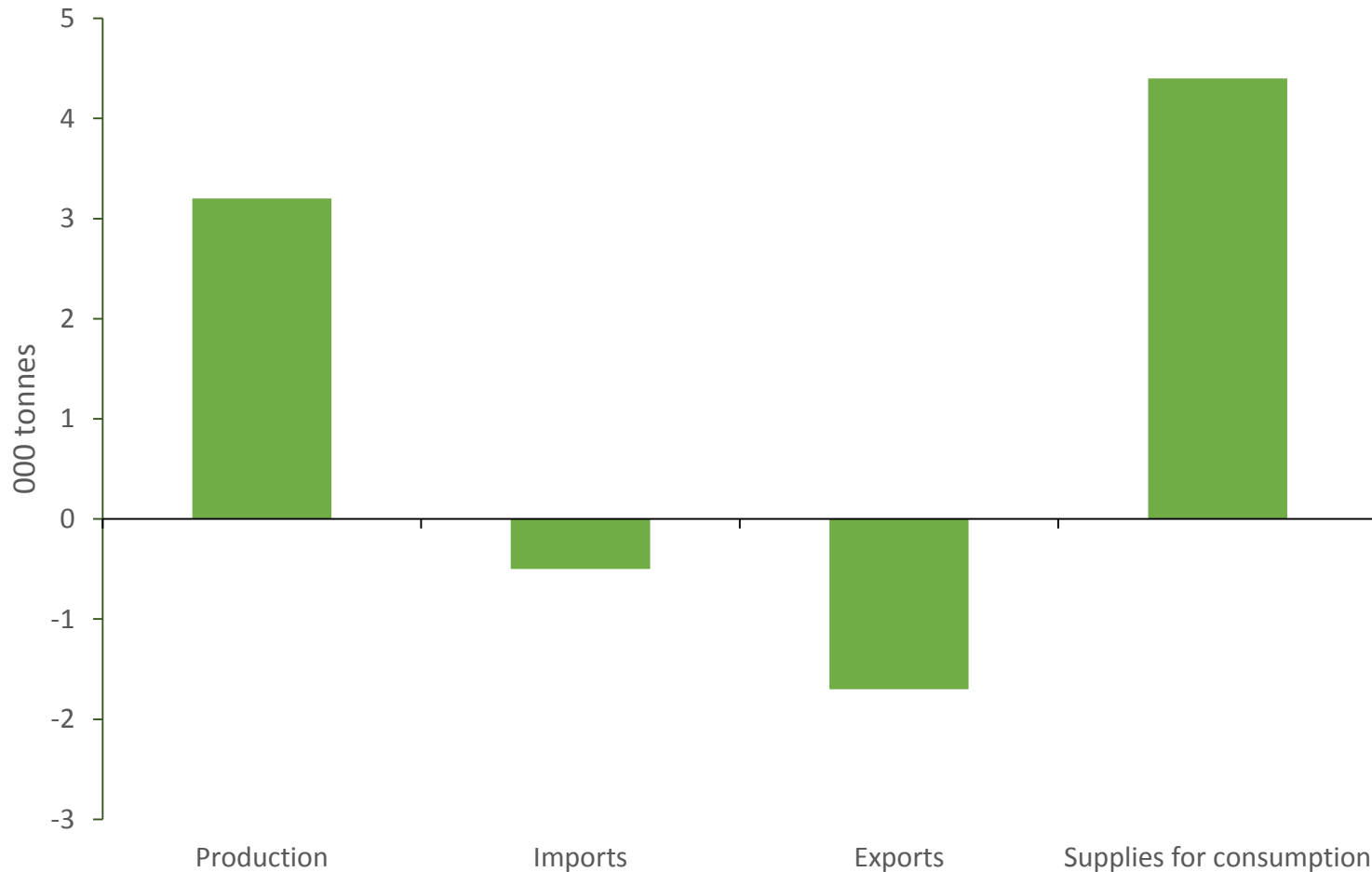
Overall UK sheep meat imports were lower in the first 11 months of 2015 - *volumes from NZ actually increased 4%*



Due to exchange rates UK imports from New Zealand have been cheaper



Total supplies for consumption in the UK have increased



Retail sales level over the year but have been higher since September

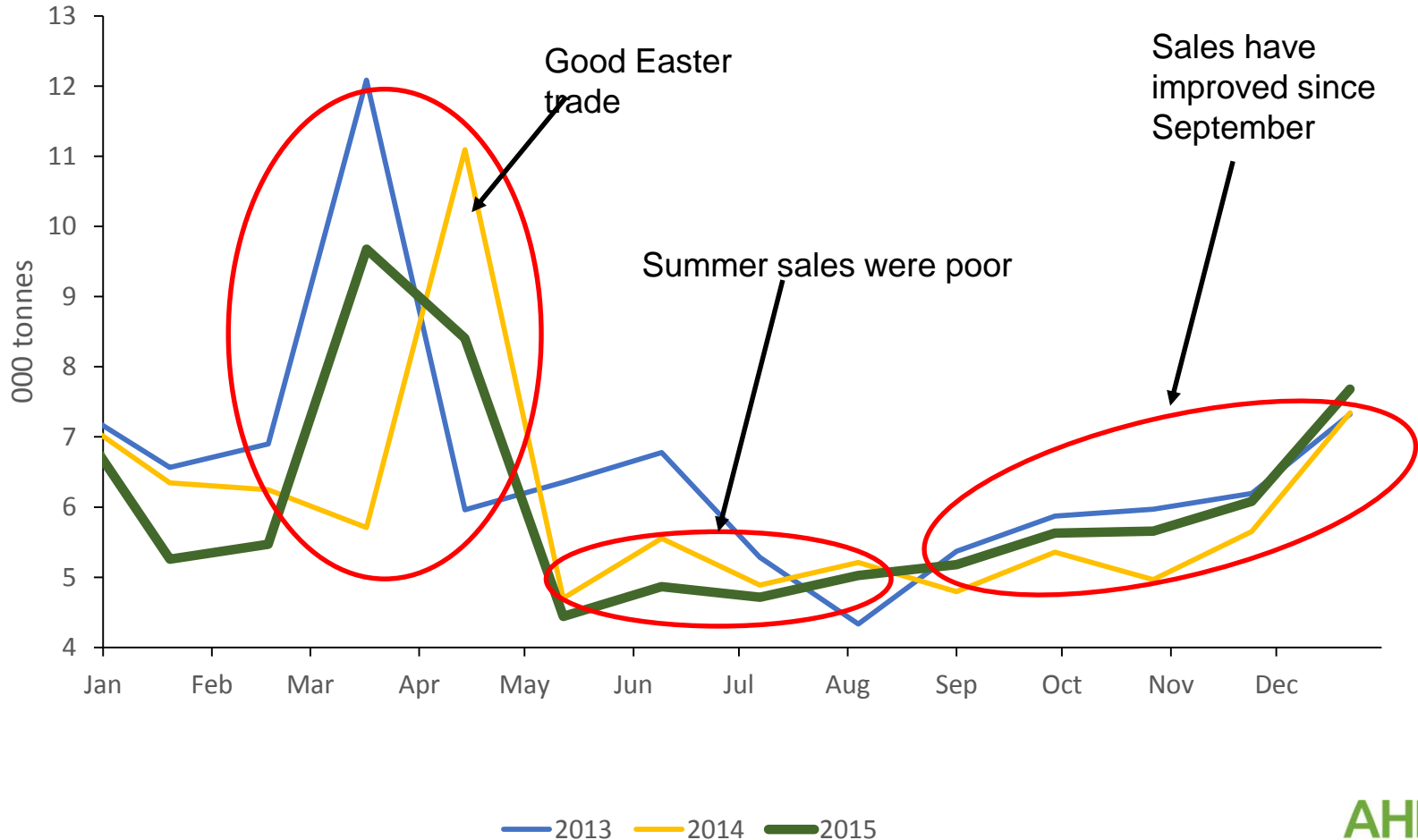


Chart: UK retail sales of lamb
Source: Kantar Worldpanel

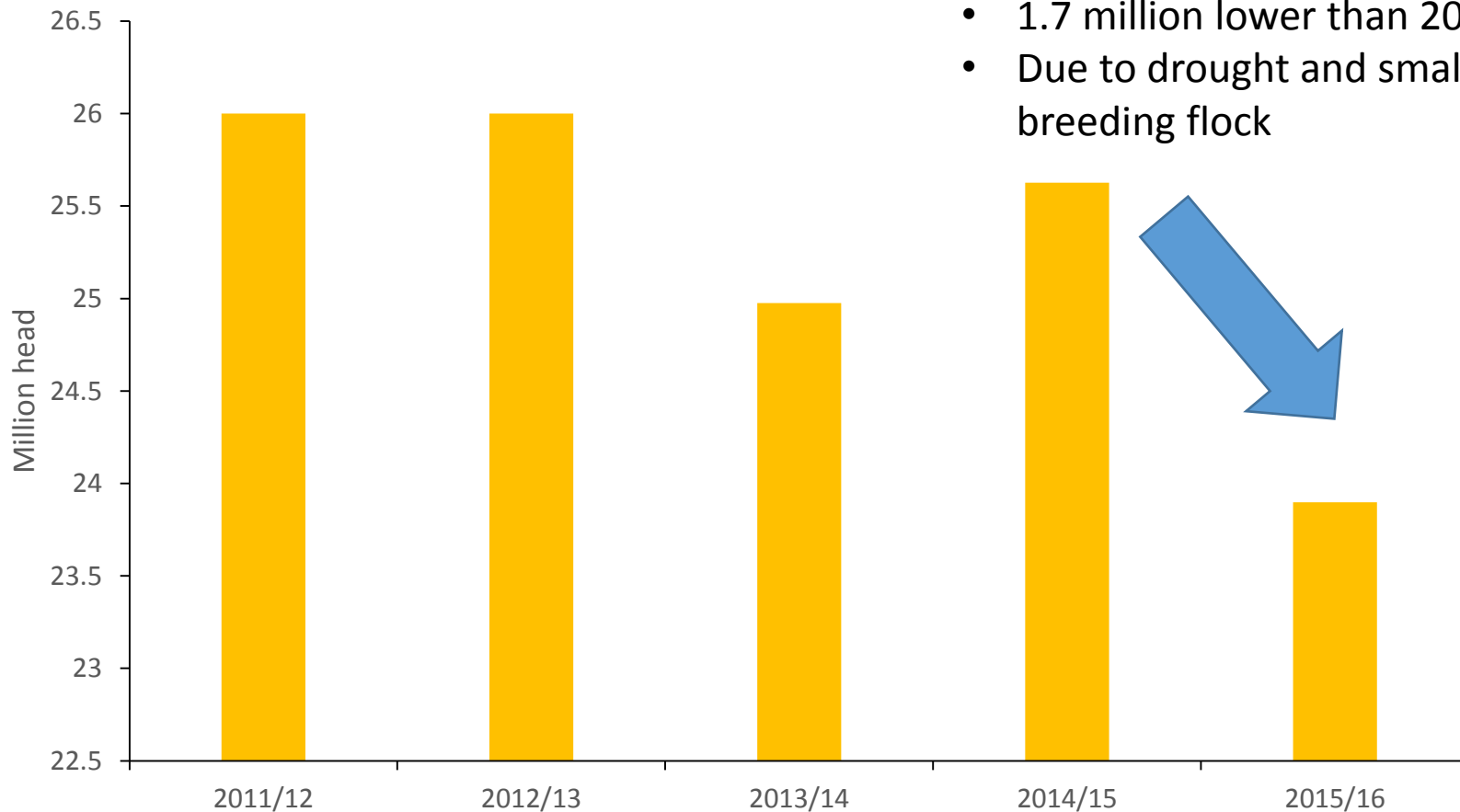
Current UK situation summary

- 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

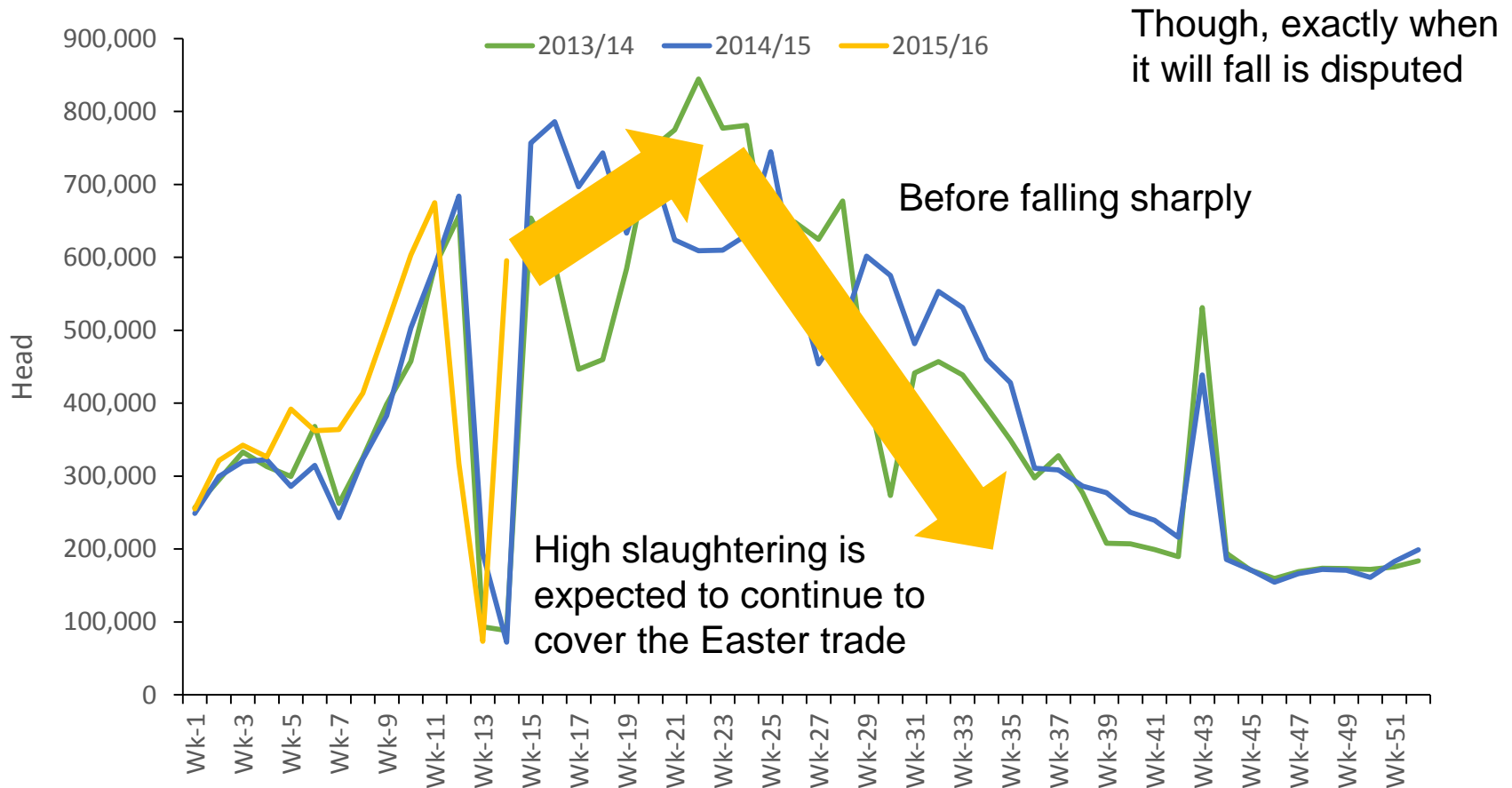
Rest of the world

New Zealand lamb crop fell in 2015/16 season

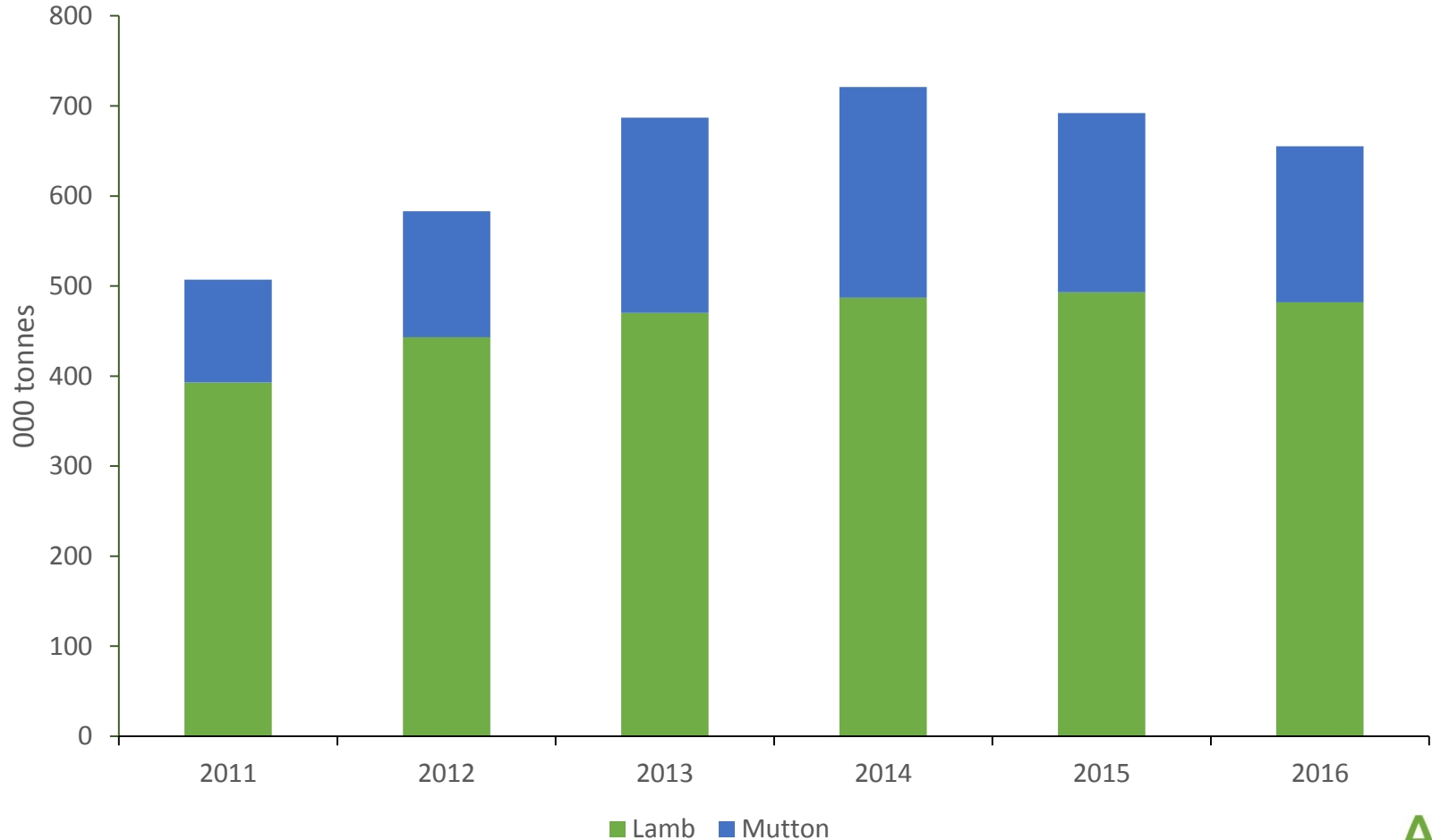
- Lowest crop in almost 60 years
- 1.7 million lower than 2014/15
- Due to drought and small breeding flock



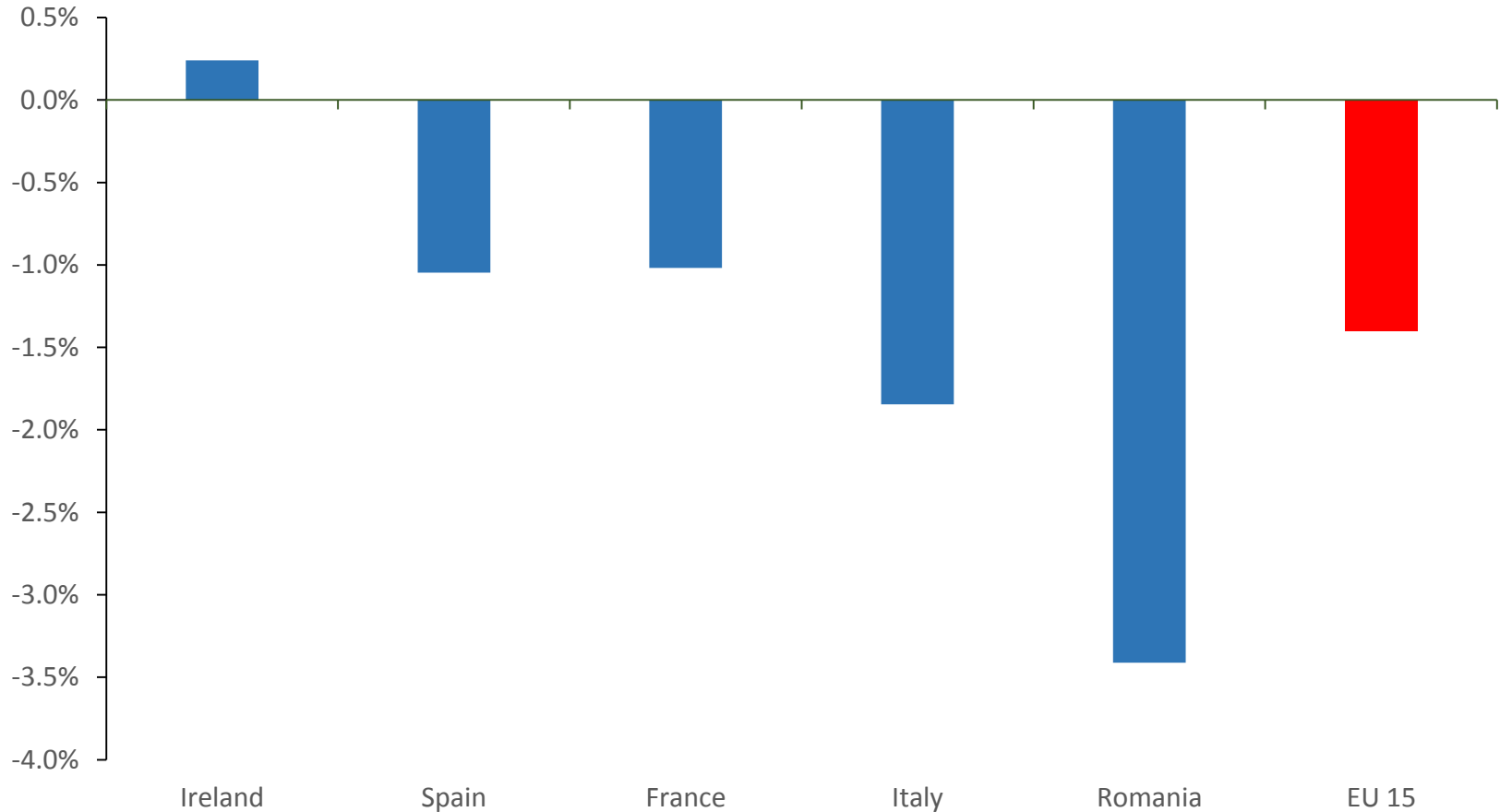
New Zealand slaughter schedule earlier



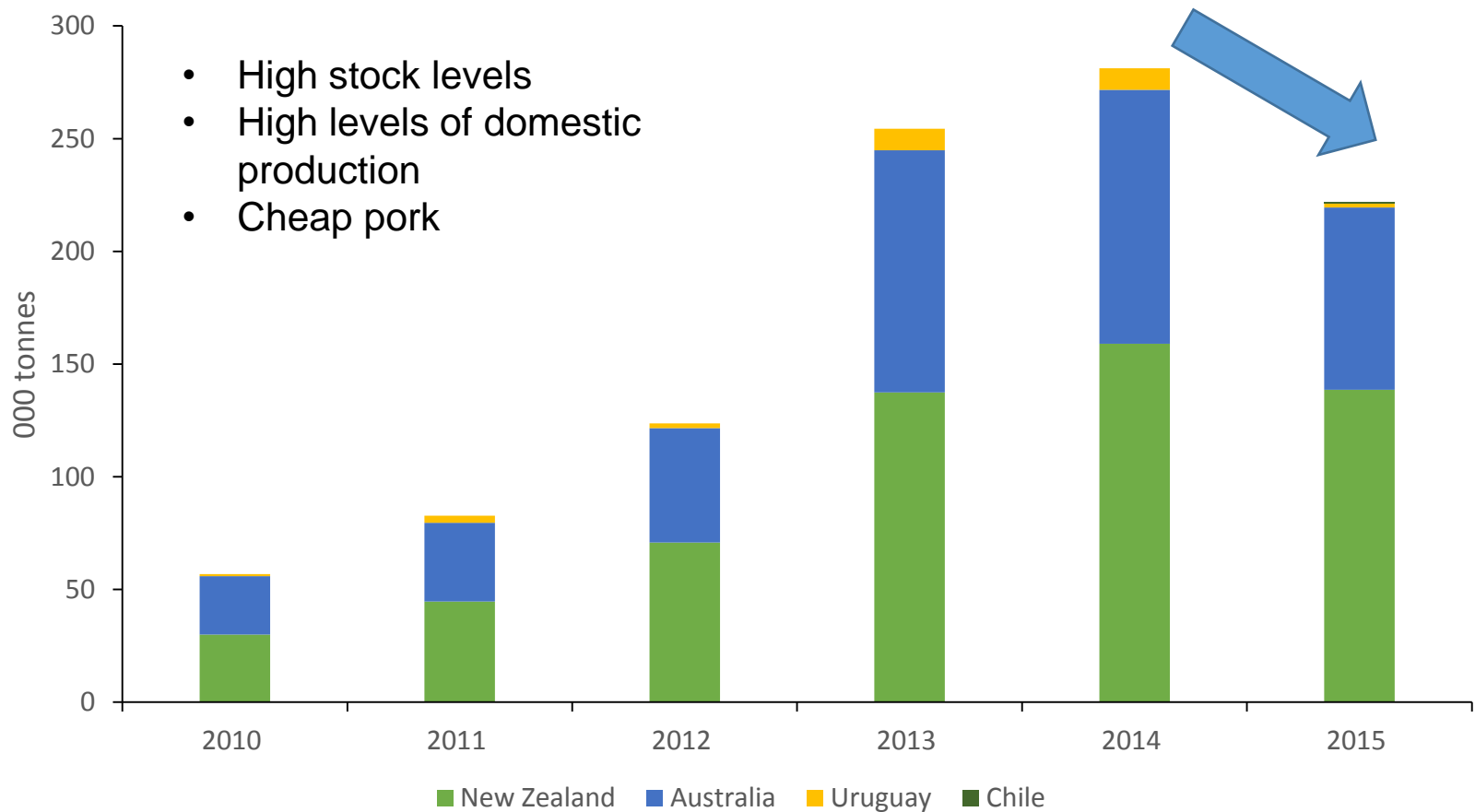
Australian sheep meat production is forecast to decline



EU sheep meat production continues to fall



Lower Chinese imports in 2015

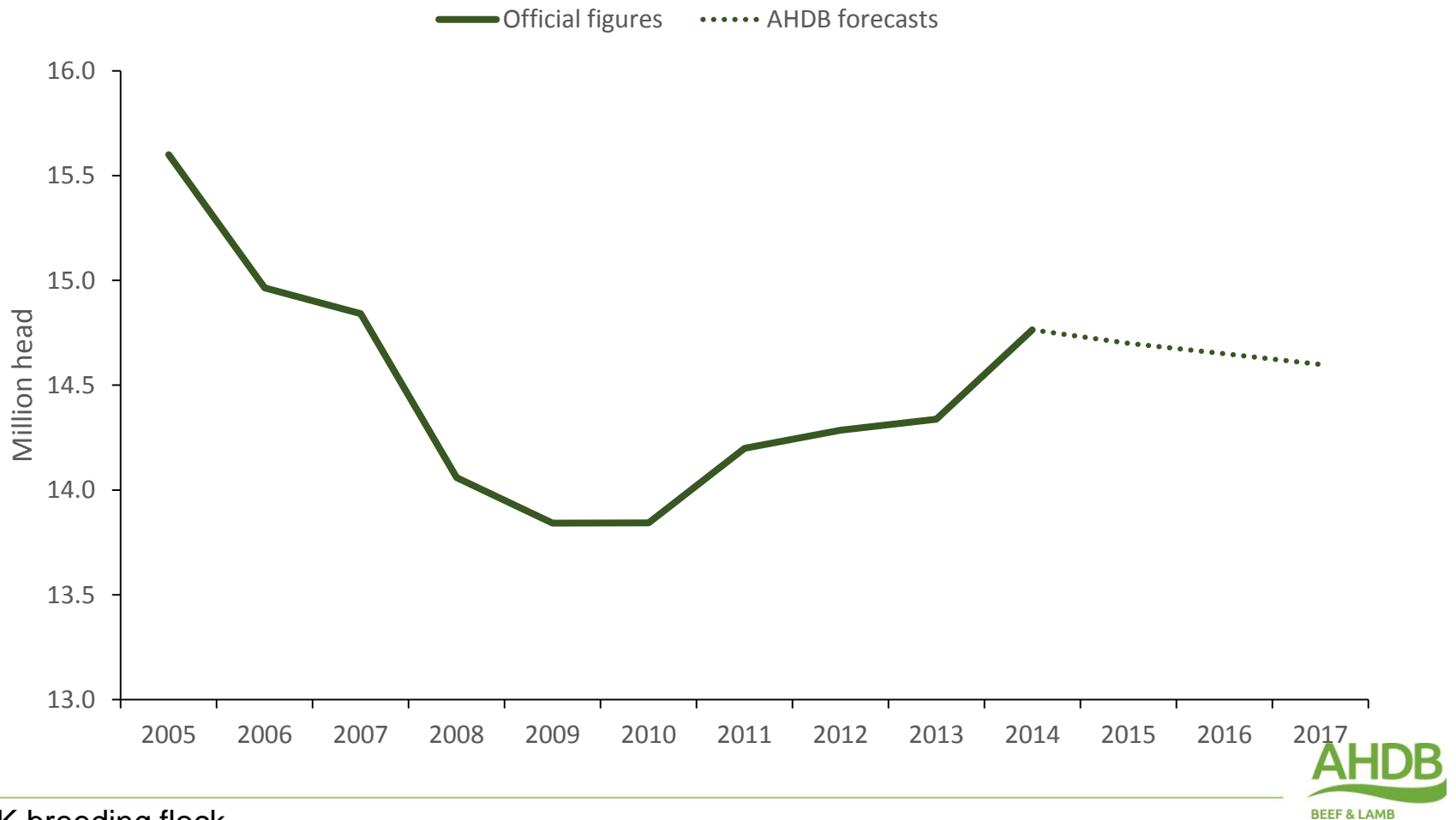


Rest of world summary

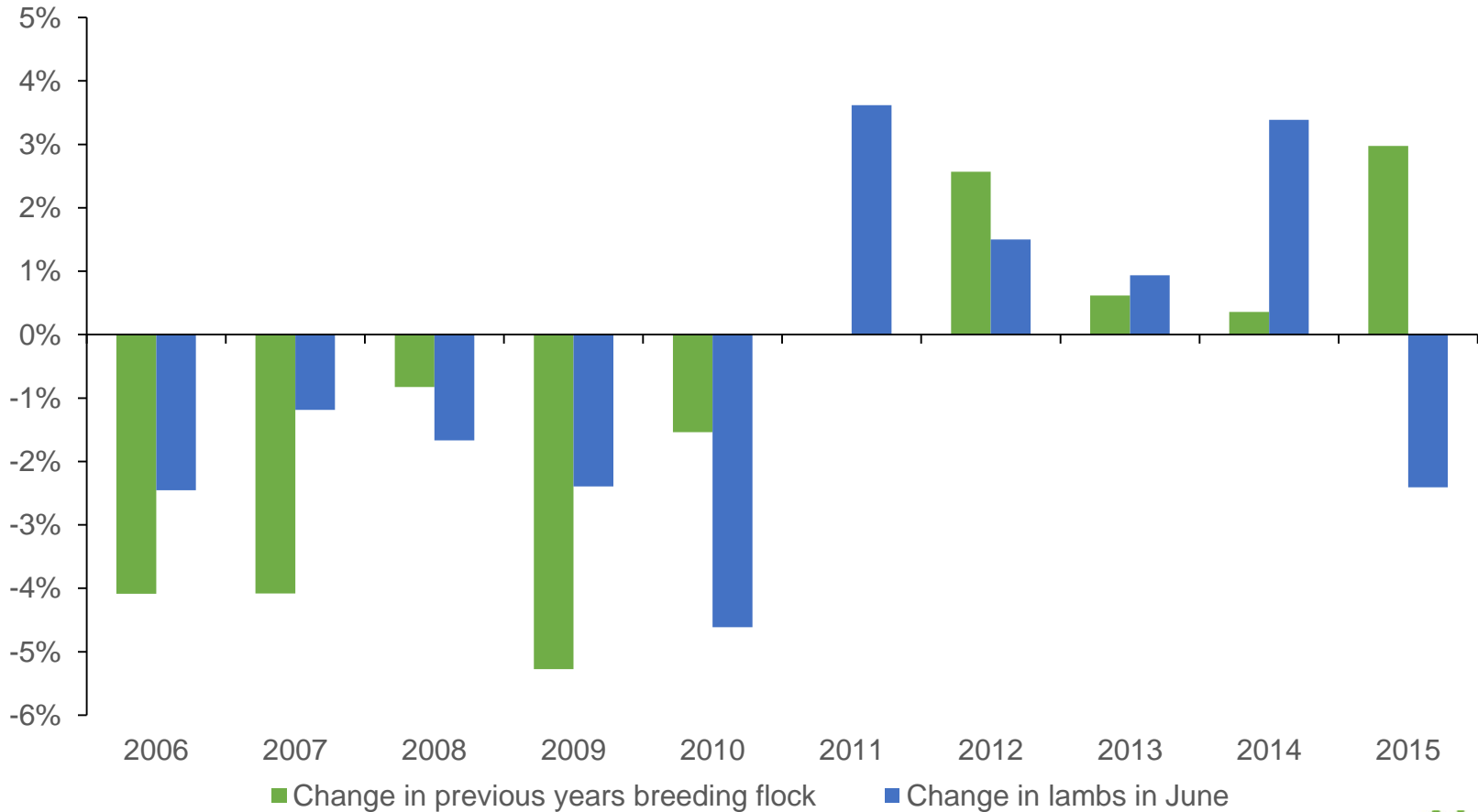
- New Zealand's lamb crop in 2015/16 is its smallest for almost 60 years
- Production in New Zealand higher earlier in the season but expected to fall
- Australian production is expected to be lower in 2016
- Production in the EU has been falling for the past few years
- Chinese demand declined in 2015; not expected to recover until late 2016

UK Outlook

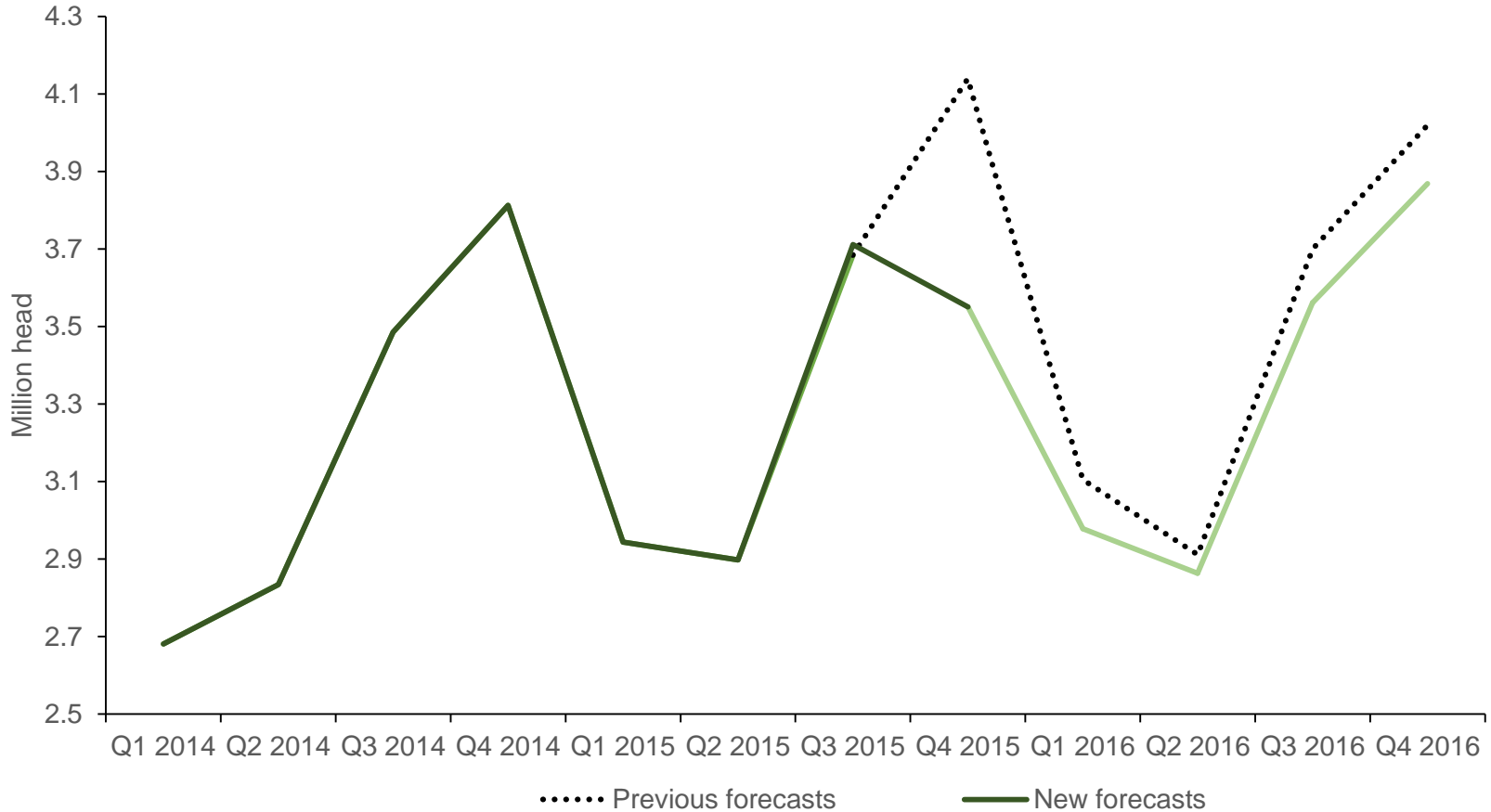
Forecasts based on size of the December breeding flock from Defra figures



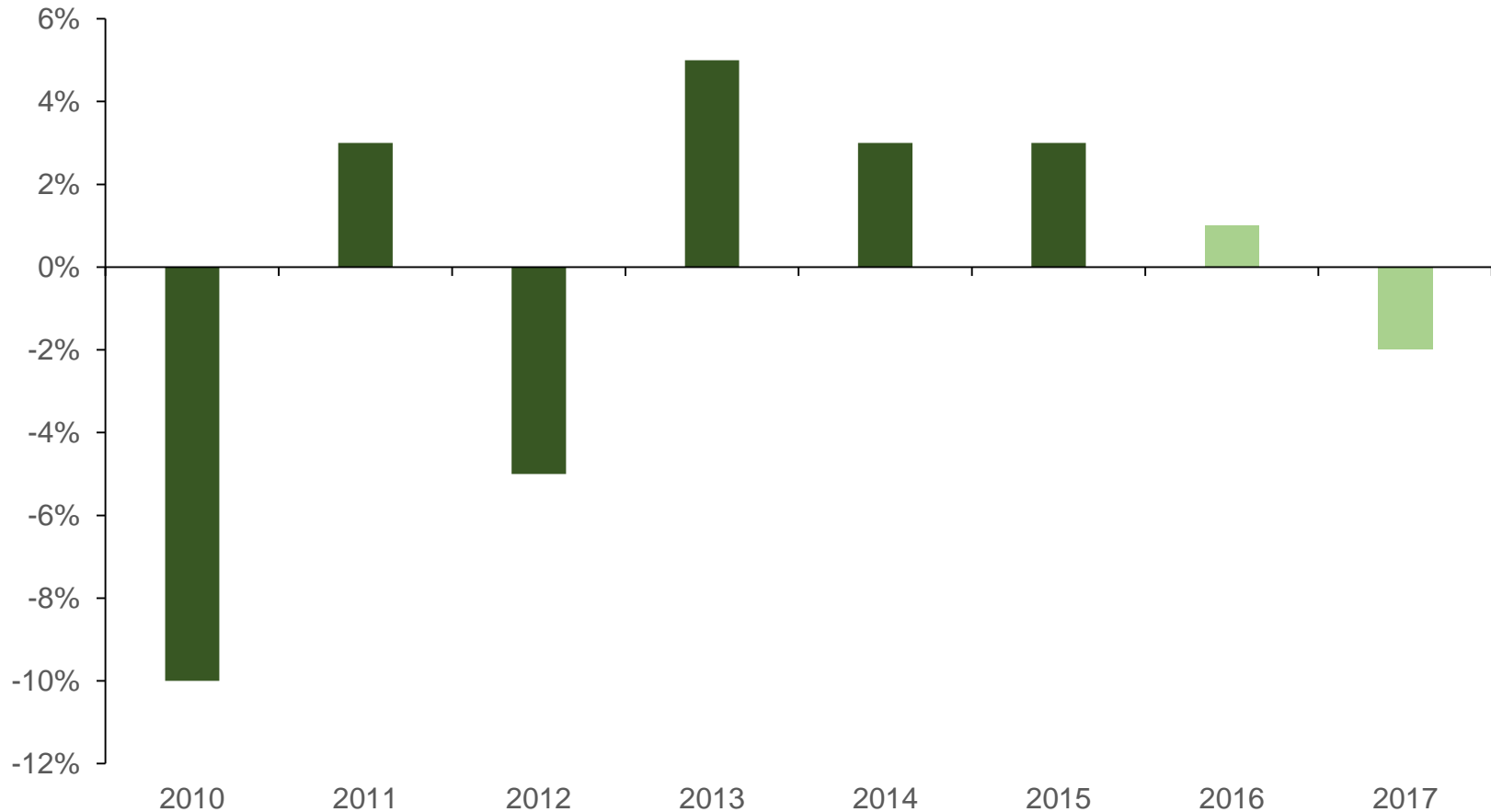
Changes to breeding flock normally reflected in lamb crop



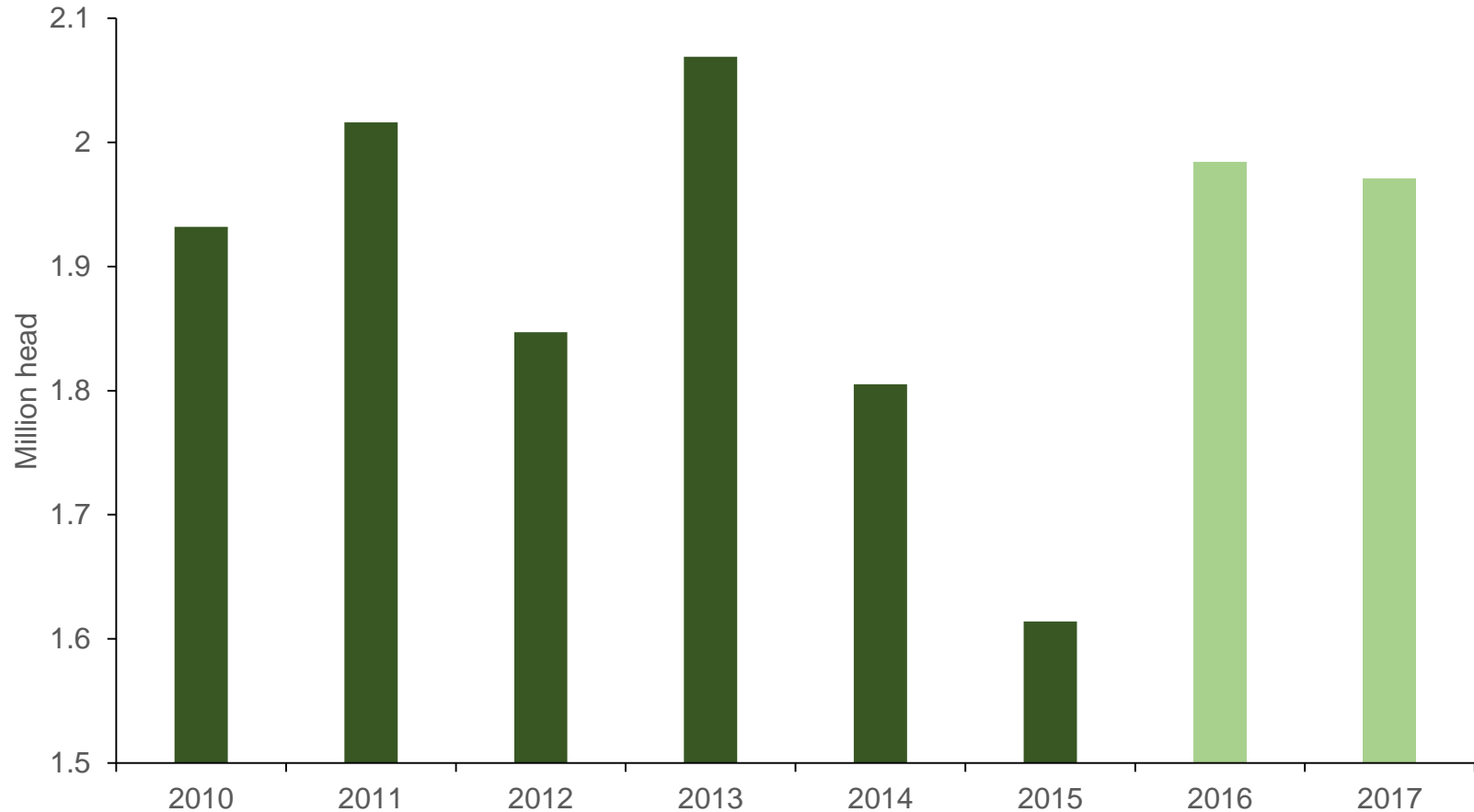
Previous forecasts for lamb slaughter revised downwards



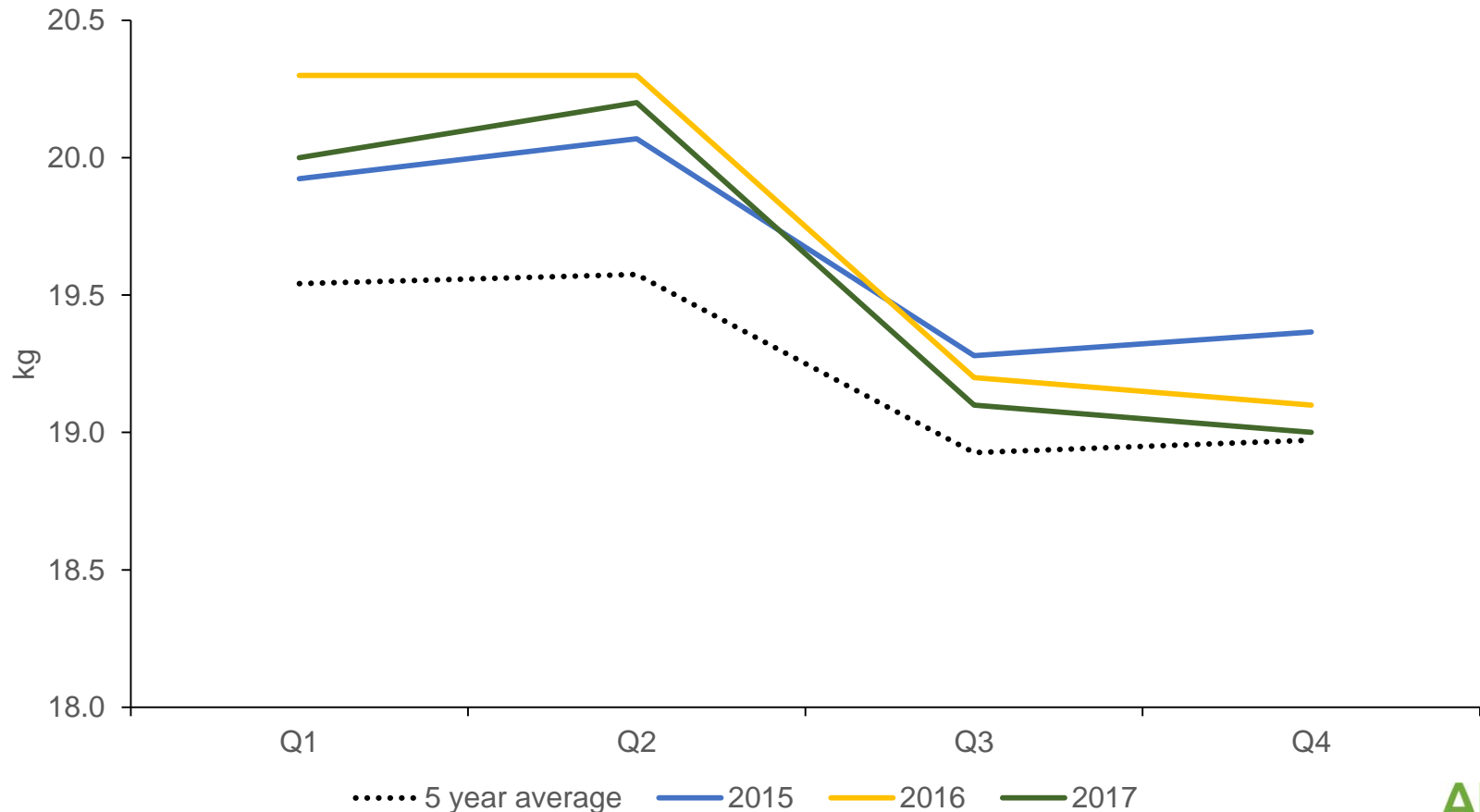
... however lamb slaughterings are likely to remain higher in 2016



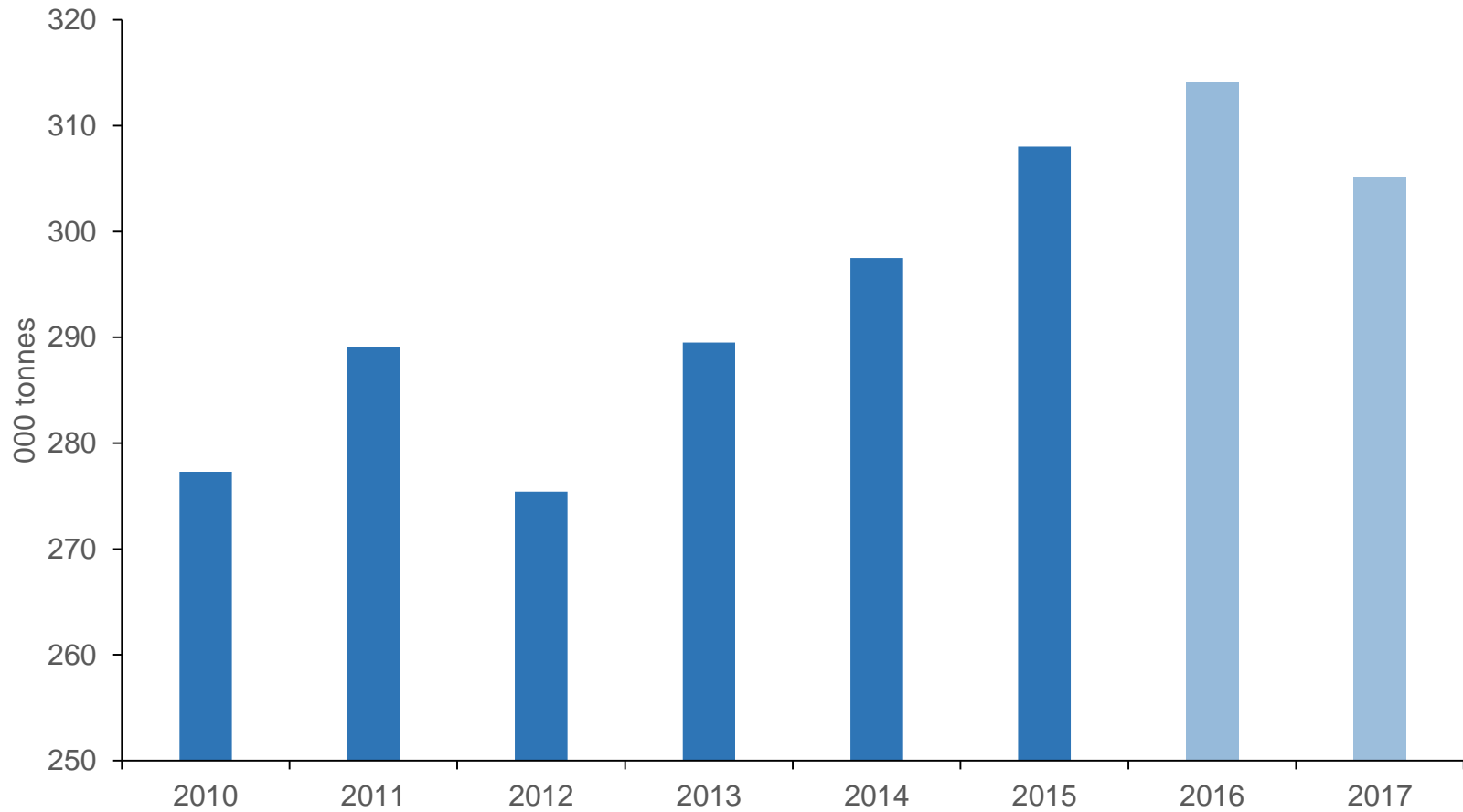
Adult slaughterings are expected to increase in 2016



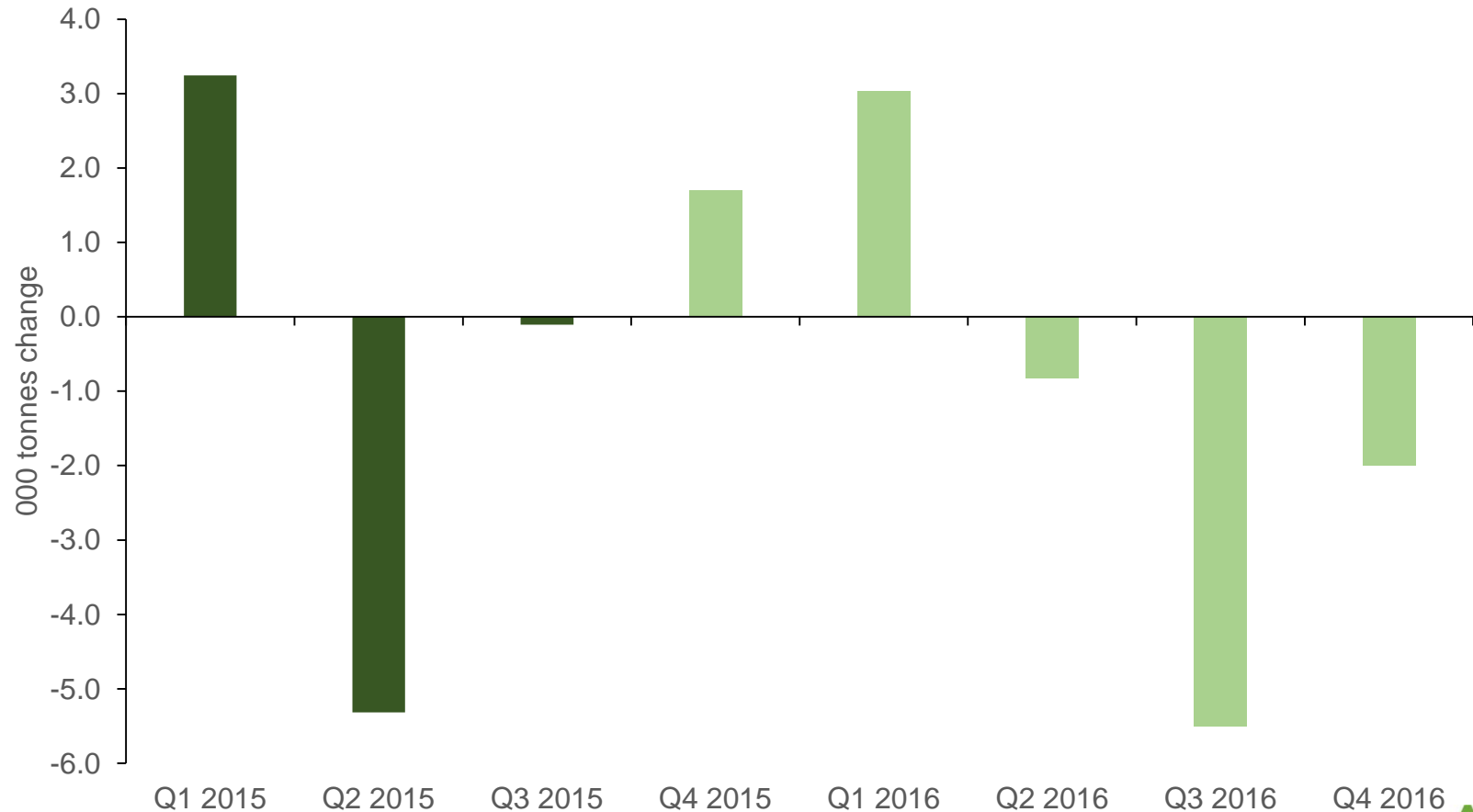
Carcase weights expected to fall but stay above the 5-year average



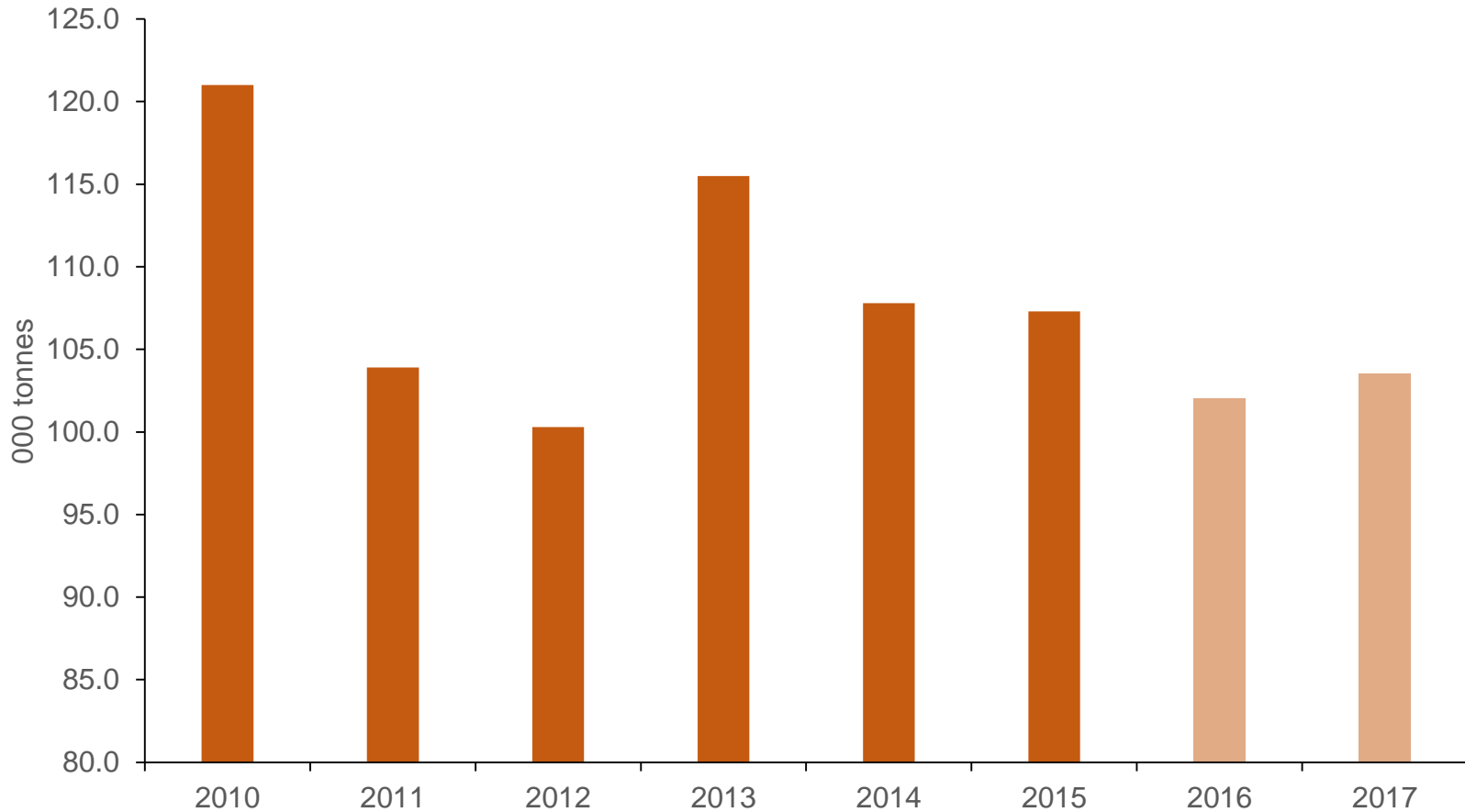
Overall production in 2016 is forecast to rise



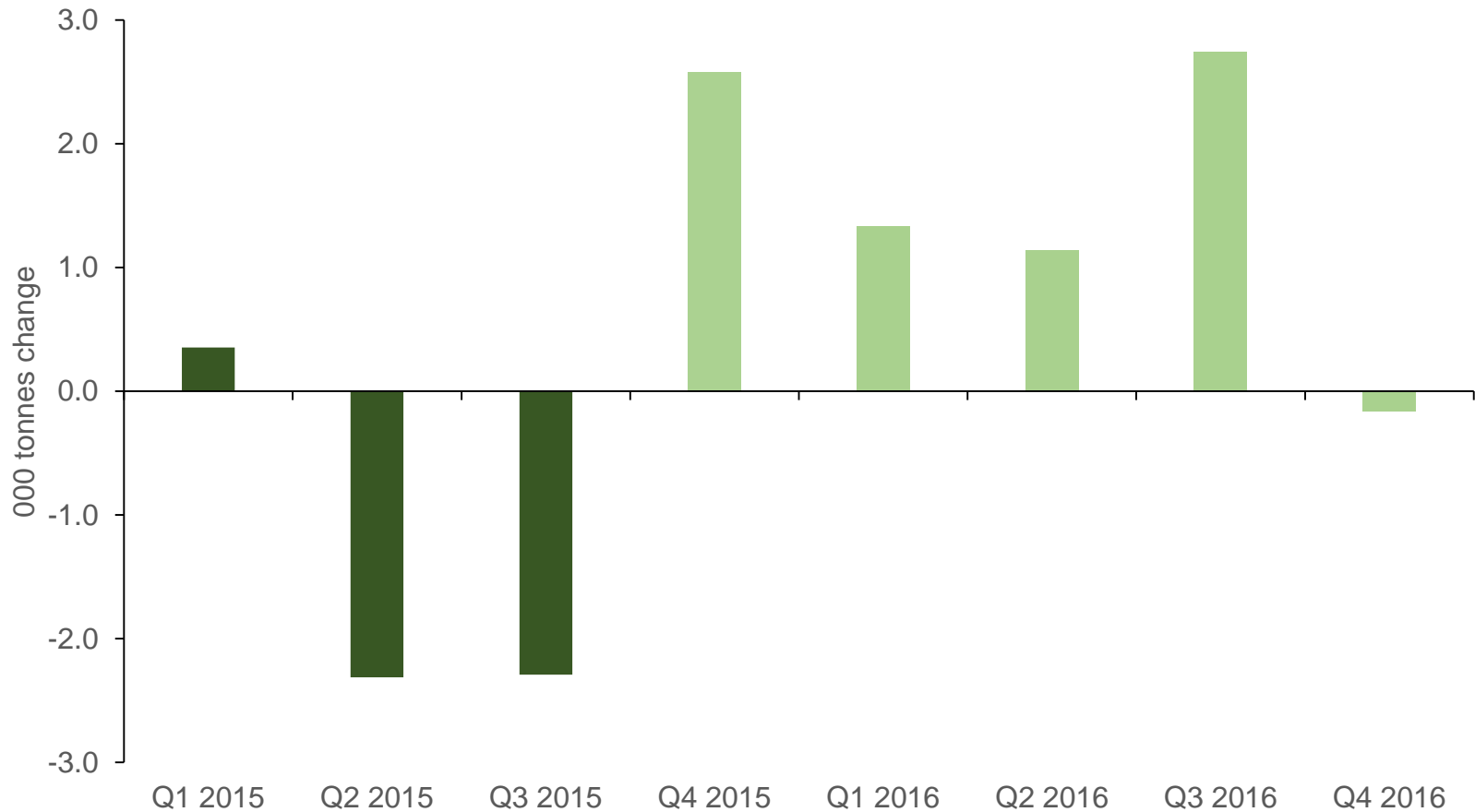
UK imports forecast to rise in Q1 before falling back for rest of 2016



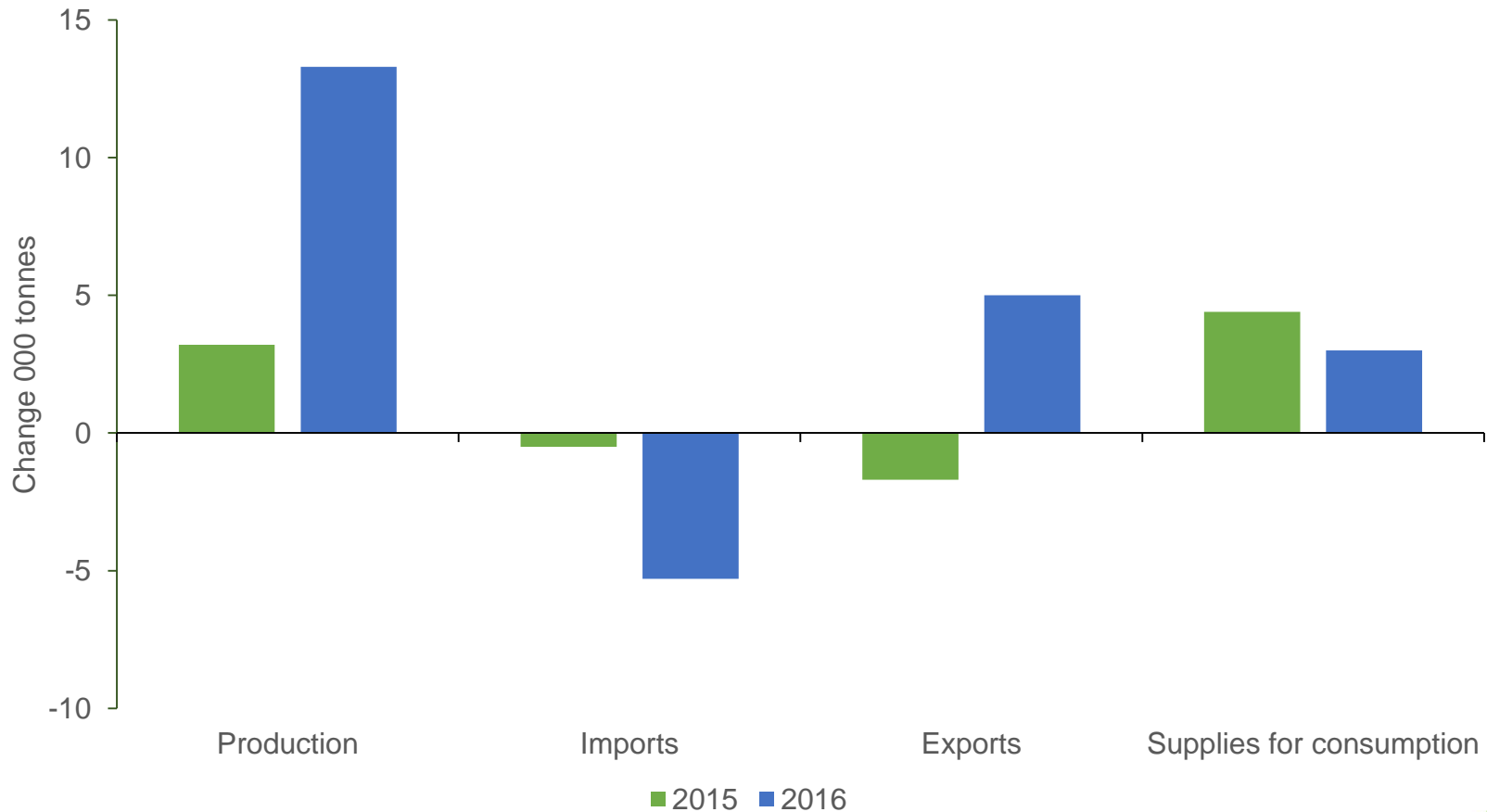
Overall UK imports should fall in 2016



Export volumes are expected to increase in 2016



Total supplies for UK consumption to continue increasing in 2016

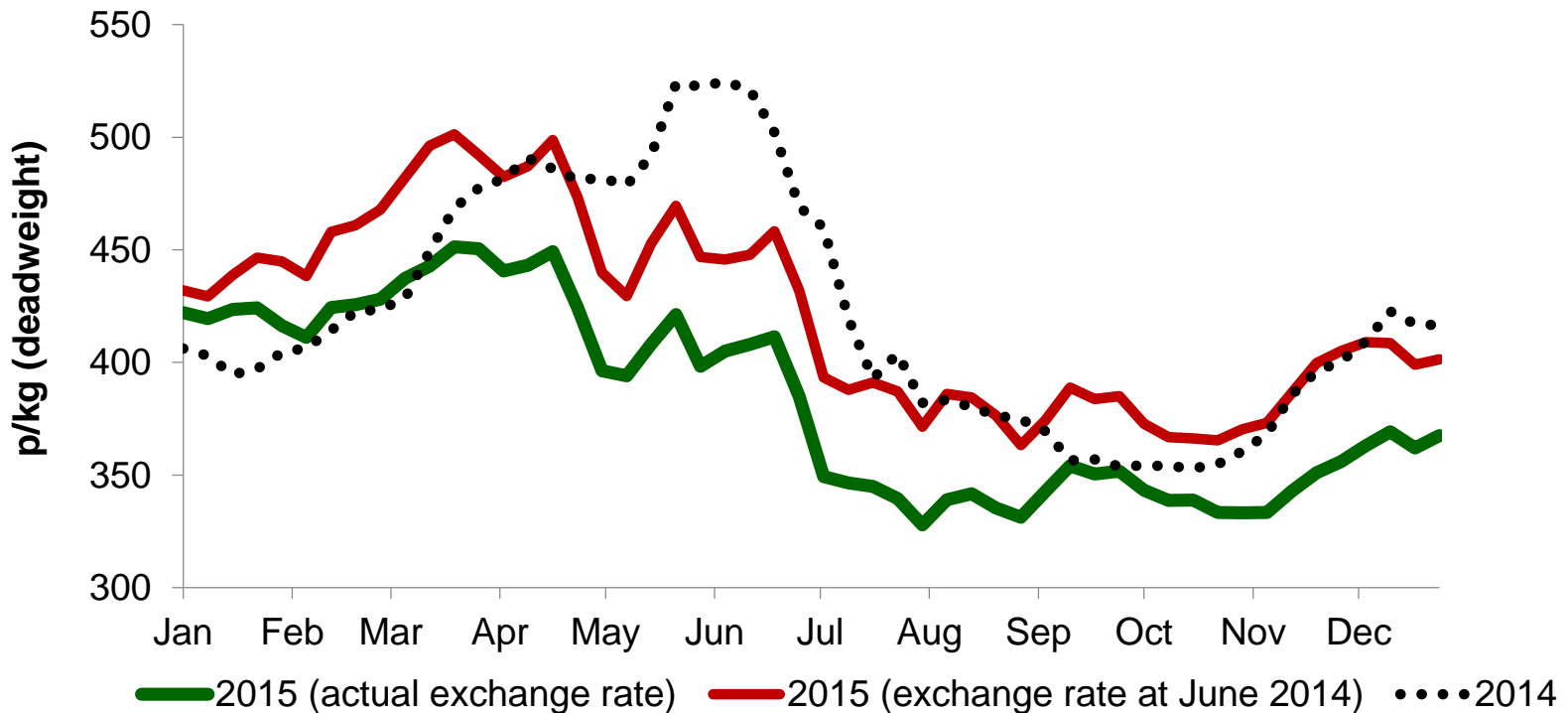


Wild cards

Weather



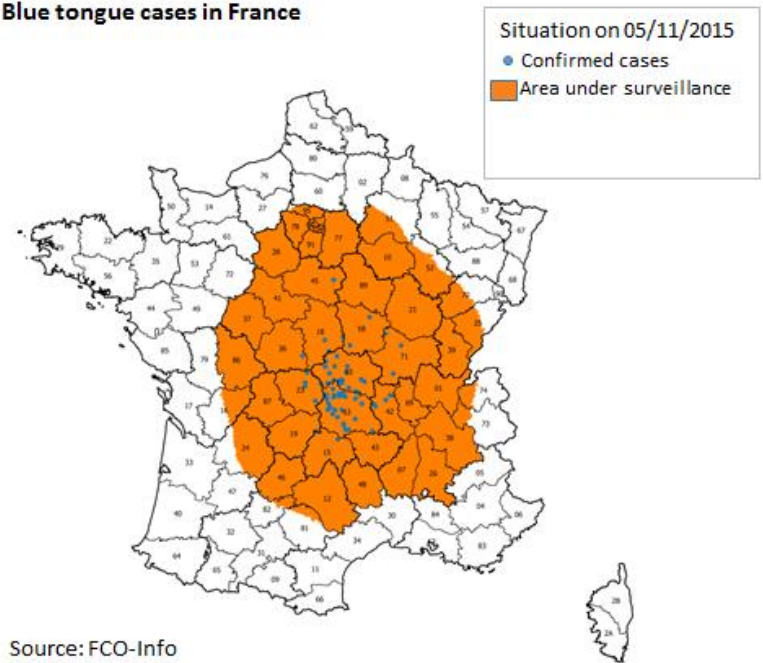
Exchange rates will continue to influence the UK lamb price



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

Blue tongue cases in France



Source: FCO-Info

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

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