AUSTRALIAN HIDE, SKIN & LEATHER EXPORTERS ASSOCIATION LTD

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AUSTRALIAN REPORT FOR THE ICHSLTA AGM

SHEEP/LAMBS

Australian lamb slaughter for 2014 is forecast to decline 4.3% year-on-year, to 20.95 million head, as a return to dry conditions in the spring of 2013 will likely see the large turnoff of light weight lambs in the last quarter of 2013 continue into the first quarter of 2014. Total lamb slaughter in 2013 is estimated to be the highest on record, at 21.9 million head, up 9.4% year-on-year, and more than 3% higher than the previous record set in 1972.

Widespread rainfall, combined with mild temperatures in winter and spring in SA, southern Victoria and WA, boosted lamb survival and marking rates, with ample feed available. In contrast, NSW and Queensland experienced an extremely dry spring, seeing lambs offered at light weights in late 2013 and early 2014.

The onset of dry conditions in southern regions, coupled with further deteriorating northern regions, will likely see the surge of lambs to slaughter continue throughout the first quarter of 2014. The ability of producers to finish lambs to heavier weights is expected to be varied across regions – a reflection of the mixed rainfall during the past 12 months. Considering the current seasonal conditions during joining and the large estimated sheep and lamb turnoff in 2013-14, it is forecast lamb supply will tighten significantly in 2015, on the back of a lower breeding ewe flock and lower conception rates in 2014. (Source: MLA Sheep/Lamb Forecast Feb 2014)

CATTLE

Australian adult cattle slaughter for 2014 is forecast to decline 9.1% year-on-year, to 7.6 million head – the consequence of the drought induced surge in turnoff and slaughter levels throughout 2013. The forecast adult cattle slaughter for 2014 largely reflects the estimated 8.36 million head slaughtered in 2013 – which was the highest annual level since 1978. Between 2000 and 2012, the annual average adult cattle slaughter for Australia has been 7.7 million head.

Processors are expected to face difficulty locating slaughter ready cattle, from what will be a lower national supply – due to the ongoing effects of the drought and cattle being “pulled-forward” into 2013. This will be accentuated by the higher mortality and poorer branding rates in 2013, resulting in fewer cattle “entering the supply chain”, especially in the latter half of 2014. The reduced branding rates for 2013, and into 2014, are expected to be felt most acutely in 2015, given the long time lag required to finish cattle to suitable weights. Total adult cattle slaughter in 2015 is forecast to be 7.45 million head.

Adding to the expected strain upon cattle supplies for 2014 and 2015 will be a forecast improvement in the competitive position of buyers sourcing cattle for the live trade. While there is always competition between the slaughter and live trade for suitable cattle, this is expected to be heightened over the next two years due to the reduced overall supply. (Source: MLA Cattle Forecast Feb 2014)

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