



AUSTRALIAN HIDE, SKIN & LEATHER EXPORTERS ASSOCIATION LTD

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AUSTRALIA

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AUSTRALIAN COUNTRY REPORT 2017

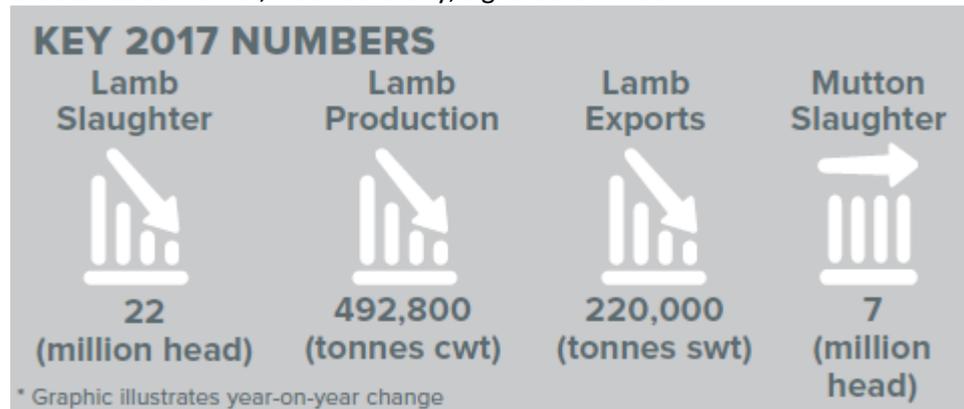
SHEEP/LAMBS

Australian lamb slaughter is forecast to decline in 2017 on the back of slightly poorer lamb markings and fewer ewes joined, and the result will cascade to lower production and exports. For 2017, lamb slaughter is projected to be 22 million head, down 2% from the estimated 2016 level. While this is a decline year-on-year, 22 million head is still in line with the long-term growth trend observed over the past decade.

Breaking the annual processing down to a quarterly basis, it is anticipated that the June and September quarters will be when supplies are the tightest. Lamb availability in the March quarter on the other hand, is likely to benefit from carry-over stocks from the final months of 2016, when extremely wet weather delayed many lambs coming to market. Australian lamb production for 2017 is projected to ease 2% to 492,800 tonnes carcass weight (cwt), and like slaughter, while this is a year-on-year decline, the volume is in the realms of record territory.

Breaking down the demand side of the equation, the Australian domestic market is anticipated to remain the largest consumer and account for 48% of production, or 237,000 tonnes cwt, with many encouraging signs coming from the market. For instance, domestic per capita consumption has stabilised in recent years, while at the same time the weighted average retail price has been increasing. To put this in perspective, domestic lamb retail prices in 2016 averaged just 10¢ shy of the record high set in 2011, at \$14.51/kg, and per capita consumption is 8% higher now than what it was then.

On the export front, Australian lamb shipments are anticipated to ease 4% year-on-year in 2017, to 220,000 tonnes shipped weight (swt). While there are strong demand signals from the domestic market, internationally, signals are mixed.



Situation and outlook for the Australian sheep industry

	2012	2013	2014	2015	2016*	2017 ^f	% change on 2016*	2018 ^f	2019 ^f	2020 ^f	% change on 2017 ^f
Sheep & lamb numbers ('000 head)											
at June 30	74,722	75,548	72,612	69,800	70,000	71,000	1.4%	72,000	73,000	73,000	2.8%
percentage change	2.2%	-0.9%	-3.2%	-3.9%	0.3%	1.4%		1.4%	2.8%	0.0%	
Slaughterings ('000 head)											
sheep	6,063	9,614	10,086	8,610	7,000	7,000	0.0%	7,250	7,500	8,000	14.3%
lamb	20,009	21,886	22,251	22,727	22,500	22,000	-2.2%	22,250	22,500	23,000	4.5%

(Source: MLA Sheep Industry Projection 2017)

CATTLE

The Australian beef industry will more than likely continue the first half of 2017 in much the same fashion as last year – tight supplies, robust restocker demand and the subsequent likelihood of a strong young cattle market.

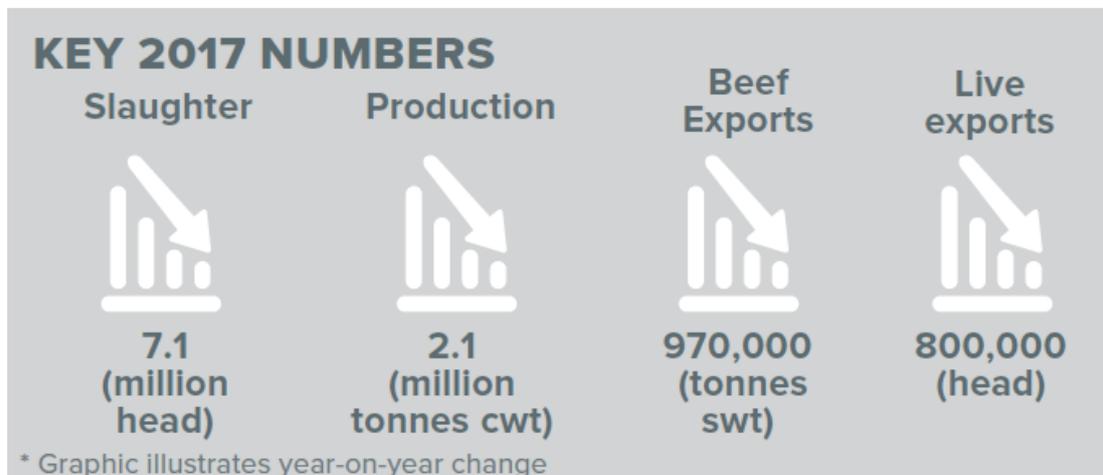
As the year progresses though, beef production is expected to slowly start increasing again and, as this eventuates, some downward pressure is likely to be placed on the market. Expectations are for a further 3% decline in Australian cattle slaughter in 2017, to 7.1 million head. While this is a significant fall, it's not nearly to the same extent that was seen over the past 12 months, when an extremely rare 19% drop occurred.

The number of cattle on feed is forecast to remain constrained by the still very high feeder cattle prices, which closed 2016 up 80% from the pre-surge average levels. While entry cattle prices remain dear, solace comes from cheaper Australian feed grain prices and, under this scenario, forecasts are for cattle to stay on feed for 10-30% longer than what otherwise would have been the case.

The overall outcome is the expectation for numbers on feed to range from 700-750,000 head per quarter, and turning off just over 2.5 million head (35% of total adult slaughter).

After declining abruptly in 2016 – from 9 million head in 2015, to 7.3 million head (down 19% year-on-year) – expectations for 2017 are for yet another decline in adult cattle slaughter, however much smaller. The primary reason for the lower slaughter is the expectation that many producers will be retaining as many cattle as possible to replenish depleted herds, and, even though the herd is larger than last year, it is still historically low.

Breaking the slaughter down even further, the majority (if not all) of the 200,000 head decline is likely to be made up of females, based on the expectation of strong rebuilding intent.



Situation and outlook for the Australian cattle industry

	2013	2014	2015	2016 ^e	2017 ^f	% change	2018 ^f	2019 ^f	2020 ^f	2021 ^f	% change 2021 ^f on 2017
Cattle numbers ('000 head)*	29,291	29,100	27,413	26,142	26,810		27,641	28,216	28,359	28,487	6%
percentage change	2.8%	-0.7%	-6.4%	-4.6%	-2.2%		3.1%	2.1%	0.5%	0.5%	
Slaughterings ('000 head)											
cattle	8,344	9,226	9,007	7,300	7,100	-3%	7,400	7,700	8,100	8,100	14%
calves	690	688	655	630	625	-1%	640	680	700	710	14%
total	9,034	9,914	9,662	7,930	7,725	-3%	8,040	8,380	8,800	8,810	14%

(Source: MLA Cattle Industry Projection 2017)

Victor Topper
President