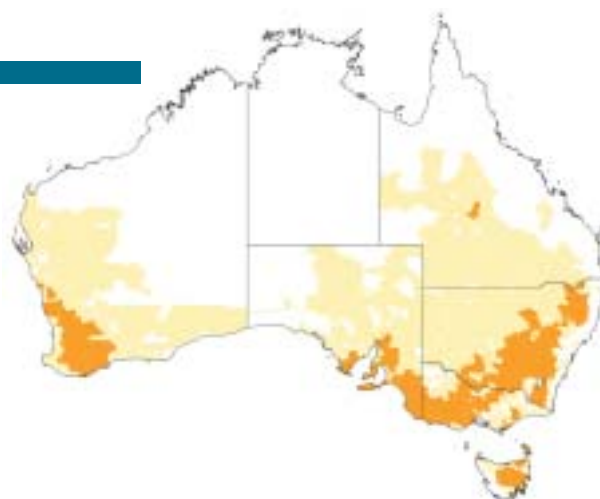


## 9 Sheep meat



### Location

Sheep meat production is mainly undertaken in conjunction with wool growing and is therefore influenced by the factors affecting the wool industry. The prime lamb industry is concentrated in New South Wales, Western Australia and Victoria.

### Industry features

Historically, the fortunes of the Australian sheep industry have been determined by wool markets. However, while wool will remain important in the future, sheep meat production is becoming an increasingly significant driver of developments in the industry. This situation has been developing over a number of years, as producers have moved resources away from wool production and into other farm enterprises such as prime lamb, crops and beef cattle.

Table 16 shows the major features of the Australian sheep meat industry, including its size, output, market orientation and position in the global market.

Table 16 **Overview of sheep meat production and trade**

	Unit	1983–84	1993–94	2003–04
<b>World</b>				
Production	Mt	6.1	6.9	7.6
<b>Australia</b>				
Sheep numbers	million	135	133	94
Production				
Mutton	kt	188	382	220
– average slaughter weight	kg	19.8	21.2	21.1
Lamb	kt	284	270	341
– average slaughter weight	kg	17.1	17.8	20.6
Share of world output	%	7.7	9.5	7.4
Gross value <sup>a</sup>				
Mutton	\$m	170	204	455
Lamb	\$m	680	651	1 321
Live sheep <sup>b</sup>	\$m	481	194	266
Domestic consumption <sup>c</sup>				
Mutton	kt	80	149	48
Lamb	kt	252	208	206

a In 2003–04 dollars.

b For slaughter.

c Carcass weight equivalent.

d Shipped weight.

e ABS 2001a.

na Not available.

Continued overleaf

Table 16 **Overview of sheep meat production and trade (cont.)**

	Unit	1983–84	1993–94	2003–04
Exports				
Mutton <sup>d</sup>	kt	58	169	120
Lamb <sup>d</sup>	kt	32	58	112
Live sheep <sup>b</sup>	'000	7 166	5 433	3 843
Value of exports <sup>a</sup>				
Mutton	\$m	181	402	379
Lamb	\$m	119	252	636
Live sheep <sup>b</sup>	\$m	481	194	266
Employment <sup>e</sup>				
Sheep meat and wool	'000			23.9

a In 2003–04 dollars.  
 b For slaughter.  
 c Carcass weight equivalent.  
 d Shipped weight.  
 e ABS 2001a.  
 na Not available.

Sources: ABARE 2004, 2005; ABS 1990, 2001a,b.

## Markets

In farm-gate value terms, 42 per cent of the adult sheep and lambs turned off Australian farms for slaughter in 1999–2000 were exported as mutton and lamb.

The Australian sheep meat industry is relatively lightly assisted. The OECD has estimated that the monetary value of transfers from consumers and taxpayers to support sheep meat producers as a result of policy measures was equivalent to 4 per cent of producers' gross incomes in 2003 (OECD 2004).

- In comparison, EU sheep meat producers received assistance equivalent to an estimated 58 per cent of their gross incomes in 2003, New Zealand producers received zero assistance, and US producers received 12 per cent.

Principal export markets for Australian sheep meat in 2003–04 were:

- *Lamb*: United States (34 000 tonnes), European Union (17 000 tonnes) and Papua New Guinea (11 000 tonnes)
- *Mutton*: Saudi Arabia (20 000 tonnes), United States (19 000 tonnes) and Chinese Taipei (11 000 tonnes)
- *Live sheep*: Kuwait (1.5 million) and Jordan (900 000).

Market access is a problem for sheep meat in markets such as the European Union, where there is a strict tariff quota regime in place and New Zealand has preferential access.

- The Middle East market for live sheep has been unstable — especially in what has traditionally been the largest market, Saudi Arabia, where trade is currently suspended.
- The live export trade is currently the subject of opposition from some animal welfare activists opposed to shipments for slaughter in the Middle East.

Average slaughter weights are rising for both sheep and lambs, in large measure because of a gradual shift away from specialist wool production to specialist sheep meat production and growing demand for heavier lambs for the US trade.

## Farm businesses

Principal features of Australian sheep specialist farming businesses are shown in Table 17. It is important to note that farms producing sheep meat also produce wool as a co-product.

- In 2002, around 7900 sheep producers (specialist and non-specialist) derived more than 20 per cent of farm receipts from the sale of prime lambs.

While strong demand and lower sheep numbers have resulted in sharp price increases for mutton and lamb in recent years, nominal prices for wool, mutton and lamb have risen relatively slowly over the longer term.

- Between 1977–78 and 2001–02, prices received by sheep producers for wool, mutton and lamb increased by an average of 2.7 per cent a year.
- Over the same 25-year period, input costs for sheep producers increased by an average of 4.8 per cent a year.

In view of these relative price movements, productivity gains in the sheep industry will be important for international competitiveness and for determining the farm-level allocation of resources between sheep production and other enterprises.

- Over the period from 1988–89 to 2001–02, sheep specialist producers increased productivity by an average of 1.2 per cent a year.

- Farms that were more specialised in prime lamb production, however, achieved average productivity growth of 1.6 per cent a year over the same period.

Table 17 **Features of Australian sheep specialist farming businesses** Average per farm

	Unit	1983–84	1993–94	2003–04
Number of businesses	no.	17 916	12 945	15 379
<b>Average performance</b>				
Area operated	ha	5 582	7 741	5 630
Sheep numbers	no.	2 840	3 359	2 949
Wool sales <sup>a</sup>	\$	86 052	76 441	66 705
Sheep sales <sup>a</sup>	\$	40 408	19 841	58 698
Total crop sales <sup>a</sup>	\$	7 617	9 775	13 163
Beef cattle sales <sup>a</sup>	\$	11 738	11 644	9 076
Net farm cash income <sup>a</sup>	\$	31 815	14 915	24 680
Farm business profit <sup>a</sup>	\$	-4 904	-35 568	-24 210
Capital investment <sup>a</sup>	\$'000	1 176	1 062	1 846
Return on capital <sup>b</sup>	%	0.9	-1.6	-0.6
Farm debt <sup>a</sup>	\$'000	106.2	178.5	154
Off-farm income <sup>a</sup>	\$'000	na	24 987	24 180
<b>Largest 30% of farms <sup>c</sup></b>				
Share of industry output	%	67	66	70
Net farm cash income <sup>a</sup>	\$	101 303	42 184	101 817
Farm business profit <sup>a</sup>	\$	40 584	-27 380	36 228
Return on capital <sup>b</sup>	%	3.2	0.6	2.3
<b>Other 70% of farms <sup>c</sup></b>				
Share of industry output	%	35	35	30
Net farm cash income <sup>a</sup>	\$	3 952	3 479	-3 044
Farm business profit <sup>a</sup>	\$	-23 143	-39 003	-44 250
Return on capital <sup>b</sup>	%	-2.0	-3.9	-3.6



- a In 2003–04 dollars.
- b Adjusted to full equity by adding interest paid to farm business profit and excluding capital appreciation.
- c Ranked by value of output.

Source: ABARE Farm Surveys.

In common with productivity growth in most other agricultural industries, growth in the sheep meat industry is related to business size.

- Productivity growth from 1977–78 to 2001–02 was an estimated 1.4 per cent for the larger producers of prime lambs, compared with 0.8 per cent for the smaller producers.
- Among prime lamb producers receiving less than 20 per cent of receipts from prime lambs, total factor productivity for the period 1988–89 to 2001–02 ranged from 2.1 per cent for farms earning 5–20 per cent of receipts from prime lamb sales to 1.2 per cent for farms earning less than 5 per cent of receipts from prime lamb sales.

### Flock management

A major issue for the industry is ensuring adequate health and welfare of sheep on farm and during live sheep export in order to improve product quality and public perceptions and to maintain market access.

### Natural resource management

Priorities for the sheep meat and wool industries include:

- maintaining pasture productivity and reducing wind erosion
- controlling woody weeds and feral animal populations
- managing for climate variability and change

- controlling and managing for emerging salinity in some regions
- controlling runoff to maintain or improve water quality
- maintaining biodiversity through vegetation management and conservation.

In 1999, some 47 per cent of sheep producers were members of Landcare, with greater numbers in the high-rainfall zone and fewer in the pastoral zone.

### Employment and infrastructure

Employment in the sheep industry includes enterprises producing both wool and sheep meat, and mixed sheep–beef enterprises.

- Employment in the sheep industry alone accounts for around 8 per cent of all employment in agriculture in 2001, predominantly in New South Wales and Queensland (together accounting for 65 per cent in 2001). A further 6 per cent of agricultural employment is in sheep–beef farming.
- In addition, more than 17 500 people are employed in the meat processing sector, which includes processors of sheep meat and other meats.

### Institutional arrangements

#### *Peak bodies*

The peak national bodies representing the sheep meat industry are:

- the Sheepmeat Council of Australia (representing producers)
- the Australian Meat Industry Council (representing processors).

The President of the Sheepmeat Council is a member of the Red Meat Advisory Council, which provides leadership for the red meat industry, advises the Minister on cross-sectoral issues, is custodian of the Meat Industry Strategic Plan and manages industry reserves.

#### *Marketing and research and development arrangements*

Meat and Livestock Australia (MLA) is the marketing and research and development body for the sheep meat industry. MLA receives statutory levies from growers for marketing and research and development and also receives matching government funding (up to a maximum of 0.5 per cent of industry gross value of production) for eligible research and development. In 2003–04, around \$62 million was spent on research and development activities for the red meat sector and \$52.4 million was spent on marketing activities.

The key priorities for research and development were sustainable resource management, product integrity, disease and pest protection, innovation, benefits for human health, frontier technology and whole-of-industry competitiveness.

### Industry outlook

Some key factors for the future are:

- improving international competitiveness against other suppliers and competing meats
- attractiveness of returns to producers relative to those from other farm enterprises
- reducing barriers to trade and achieving improved market access, especially to the European Union
- improving productivity on farm through breeding and improved pasture systems and off farm in the processing and marketing supply chain
- ensuring the adequate health and welfare of sheep on farm and during live sheep export in order to improve product quality and public perceptions and to maintain market access
- managing for climate variability and change, salinity and acidity.