Let the Good Times Roll? Global Situation and Outlook for Sheep and Wool

ASI Board of Directors
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Prices
Lamb Prices on the Rise in Australia and NZ

Source: Meat & Livestock Australia, Beef & Lamb NZ, USDA, UK Agriculture and Horticulture Development Board
Notes: Trade lamb carcass weight for Australia; all lamb carcass weight export price for NZ; average 90-160lb, choice and prime lamb 2-3 for US; Standard Quality Quotation – 12 to 25 kg carcass weight lamb for the UK
Good Times for Merino Wool; Not for Broad Wool

Australia and South Africa

![Graph showing price trend of wool from Australia and South Africa]

New Zealand and the UK

![Graph showing price trend of wool from New Zealand and the UK]

Source: AWEX, BWMB, NZ Wool Services
Prices to 25th January 2018
NZ Broad crossbred wool is 33-38 micron.
The UK wool price is the British Wool Marketing Board Indicator.
Broad-based Price Rise for Commodities Since 2016 (US$ basis)

Index: Jan 2016=100

Source: The Economist metals and commodity prices US$ index; AWEX for 18 micron wool price; WTiN for NZ wool price; Cotton Outlook for cotton, Mackenzie Wood PCI Fibres for polyester staple and acrylic; Meat and Livestock Australia for Australian lamb prices

Data to 25th January 2018
Production and Supply
World Sheepmeat Production Up

Source: OECD-FAO
Note: The year refers to the season ending e.g. 2000 = 1999/2000
Data in 2017 is an estimate and for 2018 is a forecast
Updated January 2018
Lamb Production and Exports on the Rise in Australia

Source: Meat & Livestock Australia, Beef & Lamb NZ, OECD-FAO
forecast
Updated January 2018
Global Wool Production Remains Low

**2016 total production**
1,140.5 mkg clean

**2017 total production**
1,147.9 mkg clean

**2018 total production**
1,158.6 mkg clean

**Near 70 year lows**

**Stocks:Use ratio**
~11%

Source: Poimena Analysis, International Wool Textile Organisation
Note: The year refers to the season ending e.g. 2000 = 1999/2000
Data in 2016 is an estimate and data in 2017 and 2018 is a forecast
Updated January 2018
World Production of Meat Grows

![Graph showing world production of meat from 2000 to 2018]

- **Beef & veal**: +1.0%
- **Pigmeat**: +1.7%
- **Poultry**: +3.5%
- **Sheepmeat**: +1.6%

Source: OECD-FAO Agricultural Outlook 2017 database

e estimate  f Forecast by OECD-FAO  cwe carcase weight equivalent
World Production of Wool and Competing Fibres: Wool Cannot Compete on Volume

Source: CIRFS, USDA, Poimena Analysis, IWTO Market Information Report
Note: For wool and cotton the years are seasonal years i.e. 2011 = 2010/11 season
Demand
Consumer Confidence Lifts in the Major Wool Consuming Countries

Source: The US Conference Board, the European Commission and www.tradingeconomics.com
Data to December 2017
Growing Demand for Lamb by China

Source: Beef + Lamb NZ, MLA
Higher Sheepmeat Consumption in 2018, but not in the US

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<tr>
<td>World</td>
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<td>Total consumption in 2017 ('000 tonnes)</td>
<td>17,712</td>
<td>4,852</td>
<td>1,113</td>
<td>140</td>
<td>76</td>
<td>37</td>
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<td>Per capita consumption</td>
<td>1.73</td>
<td>3.08</td>
<td>1.94</td>
<td>0.38</td>
<td>0.52</td>
<td>0.89</td>
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Source: OECD-FAO
World Consumption of Meat Predicted to Lift

- Growth in per capita income and population driving increased meat consumption
- Higher income leads to higher protein consumption
- Growing middle class in key countries such as China – focus on quality
- Increased share for sheepmeat

Source: OECD-FAO Agricultural Outlook 2017 database

e estimate  f Forecast by OECD-FAO
cwe carcase weight equivalent
China Drives Demand for Raw Wool

Source: China Customs, China Wool Textile Association, US Department of Commerce
12 month moving average to November 2017
Decline in Wool Garment Imports by the US
Value - year to November

Source: OTEXA
## Let the Good Times Roll?
### Prospects for 2018 and Beyond

### Sheepmeat
1. Production of sheepmeat to lift over next five years
2. Economic growth gathering pace and consumers are confident
3. Lower US sheepmeat consumption in 2017 and flat in 2018
4. Increased consumption of sheepmeat by developing countries, notably China
5. Higher incomes and higher population driving the increased demand for protein, including sheepmeat
6. Sheepmeat to gain consumption share (from other meat - off a low base)
7. Opportunity to lift per capita consumption in USA?

### Wool
1. Low production of finer wool, increased production of broader wool
2. Higher economic growth and confident consumers
3. Increased raw wool demand, notably from China
4. But wool clothing imports by US declining
5. Merino wool prices doing well, but reaching a cyclical peak?
6. Long-term demand for superfine Merino wool growing
7. Increased use of Merino wool in active and leisurewear
8. Broad wool prices may be at the bottom
9. Can broad wool recover lost markets or develop new markets?
Some Policy Challenges

• Animal welfare and the consumer
  – Wool
  – Sheepmeat

• Sustainability
  – Life cycle assessment and wool

• Rebuilding flock numbers
Thank You!