Supply, production and pricing insights on Australia's sheep and cattle sector

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MEAT & LIVESTOCK AUSTRALIA

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AGENDA

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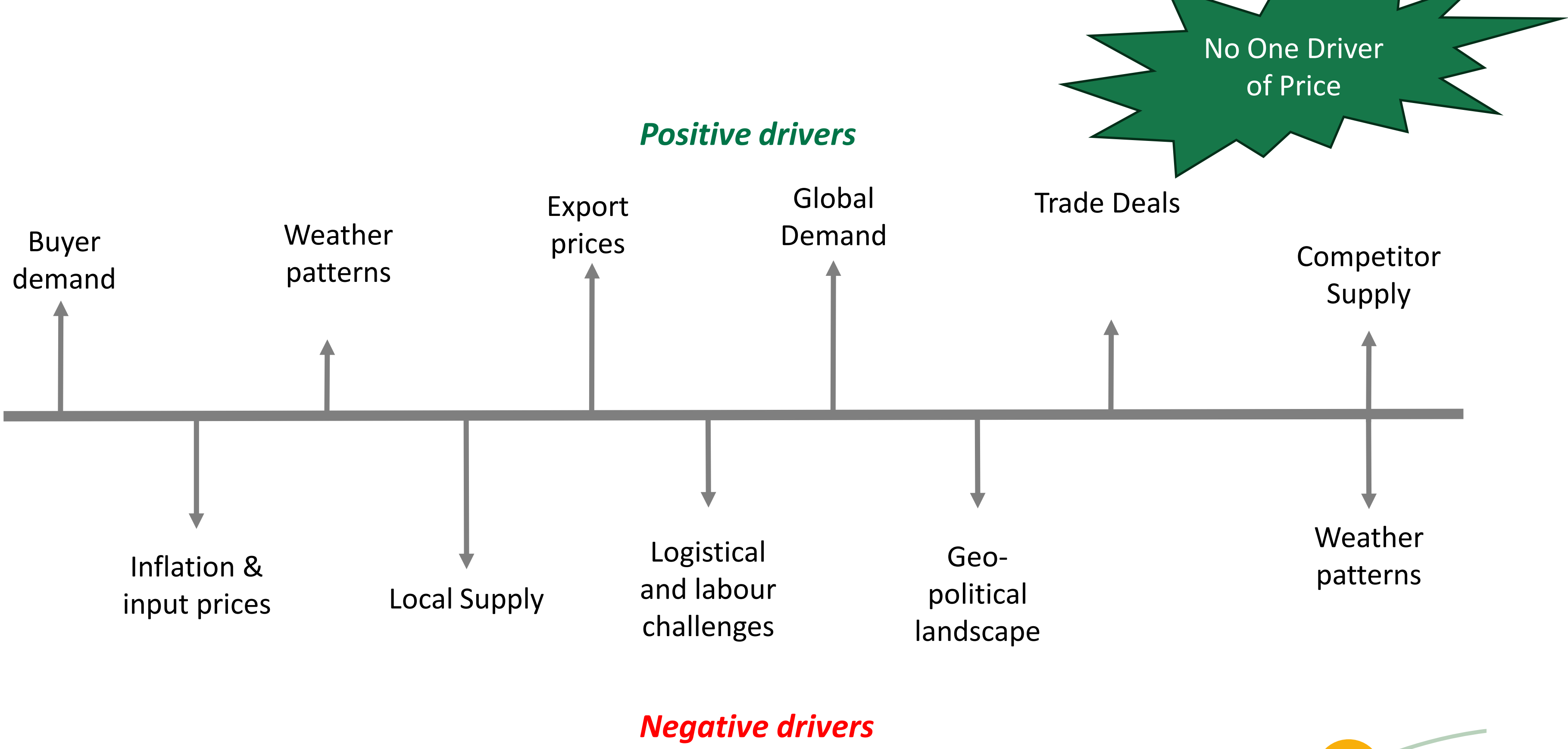
Impacts on Price

A unique environment with many mixed signals



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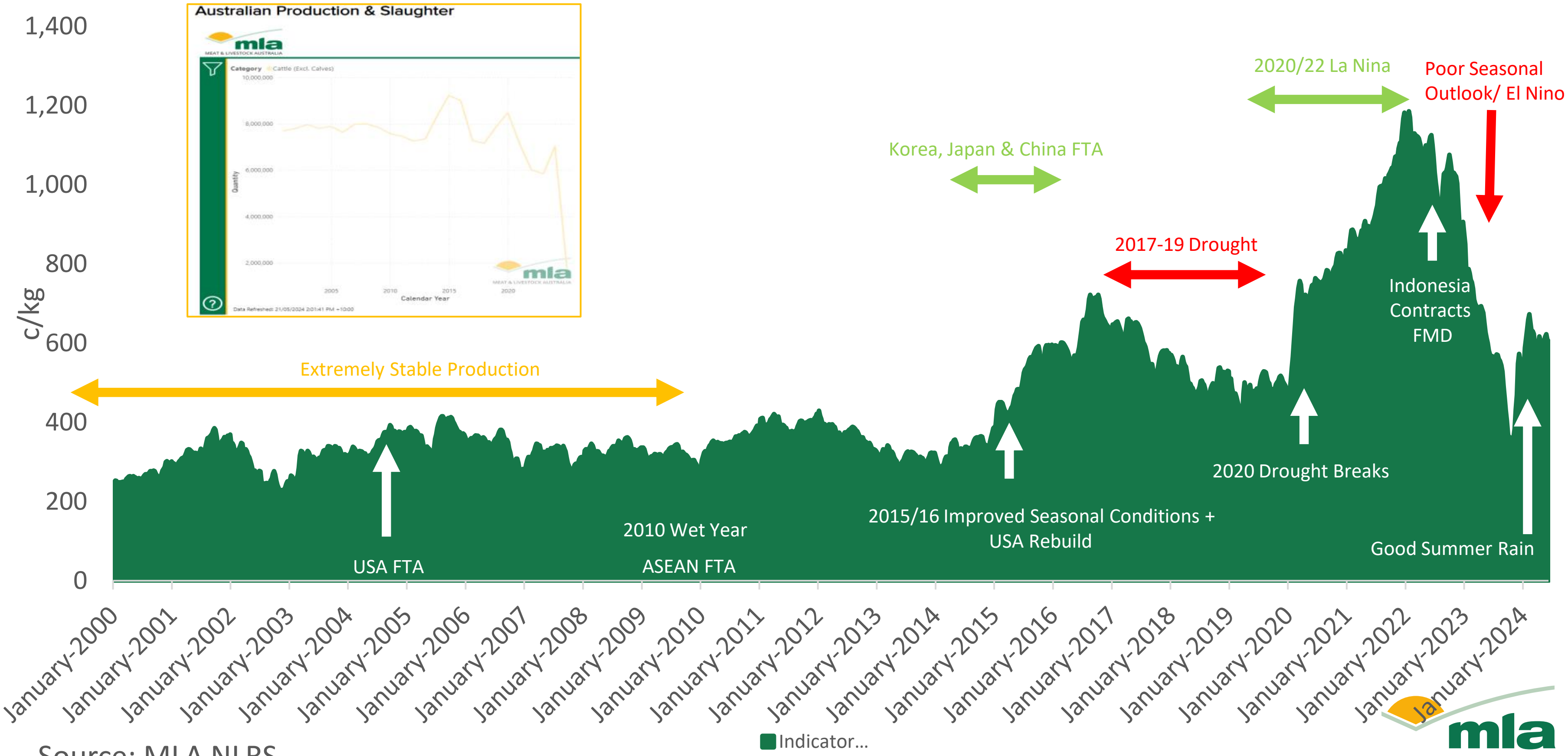
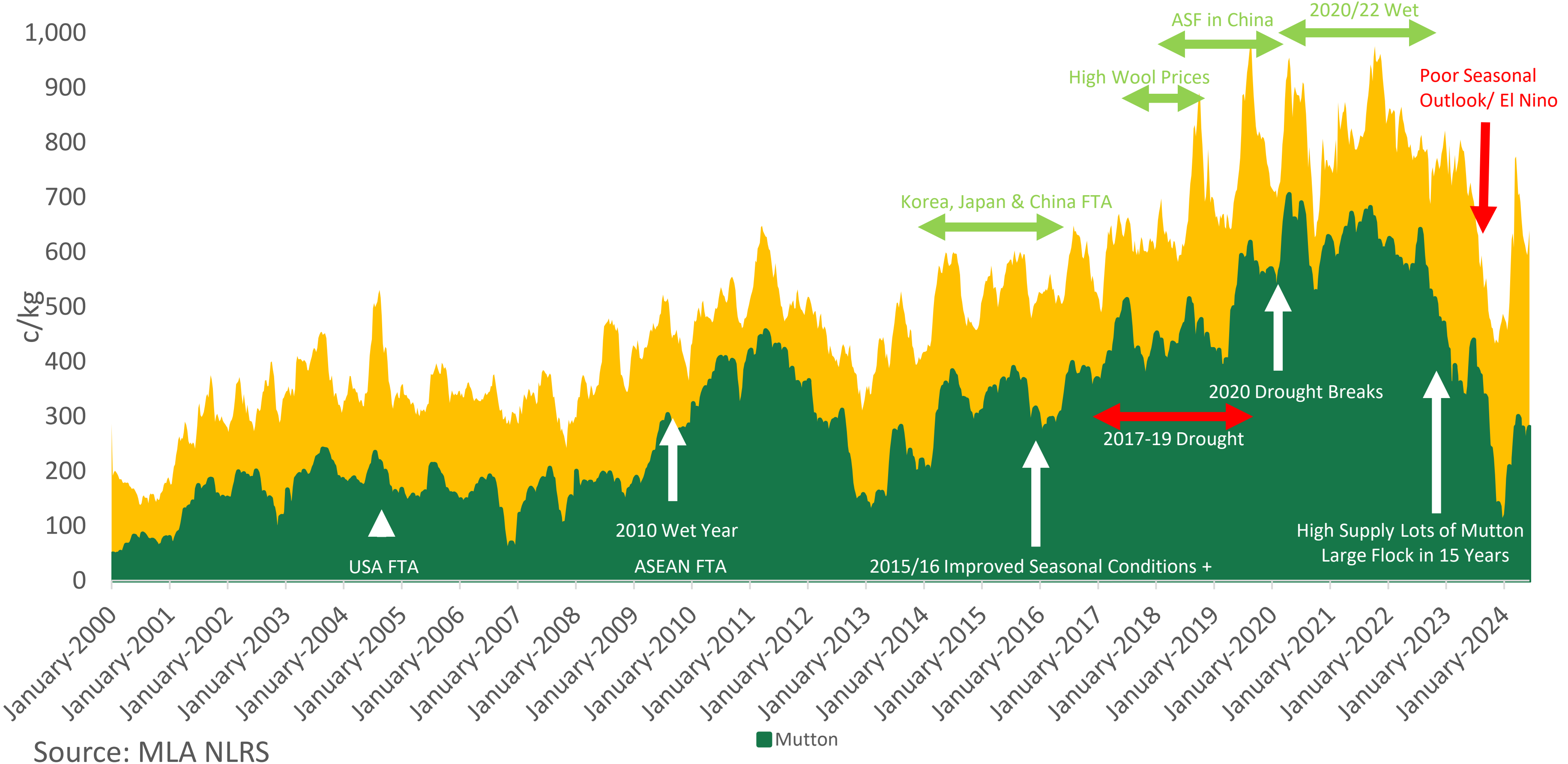
Cattle Prices Over Time



Source: MLA NLRS

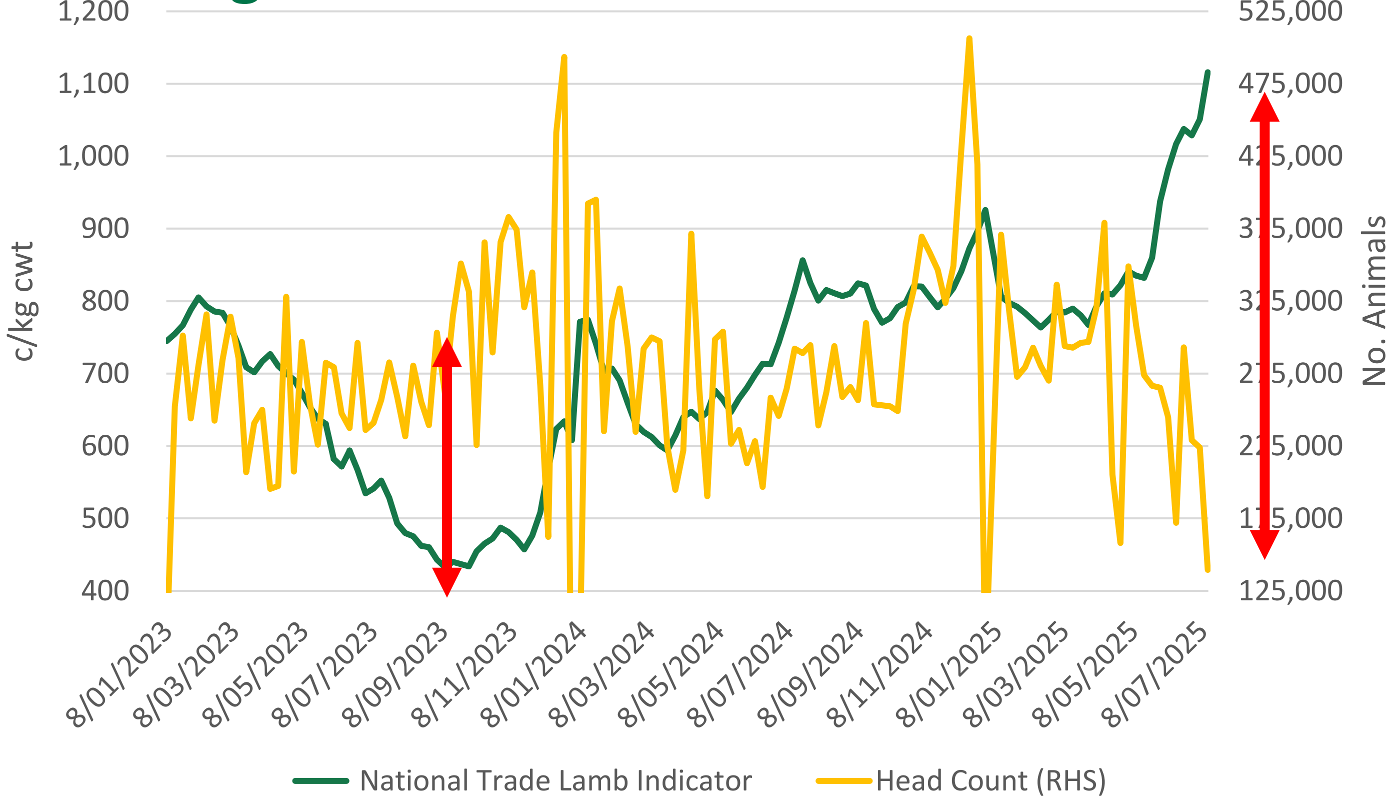
Sheep Prices Over Time



Source: MLA NLRS

Current Situation

<u>BOOM & BUST</u>: In 2 years prices have gone from 20 year lows to record highs



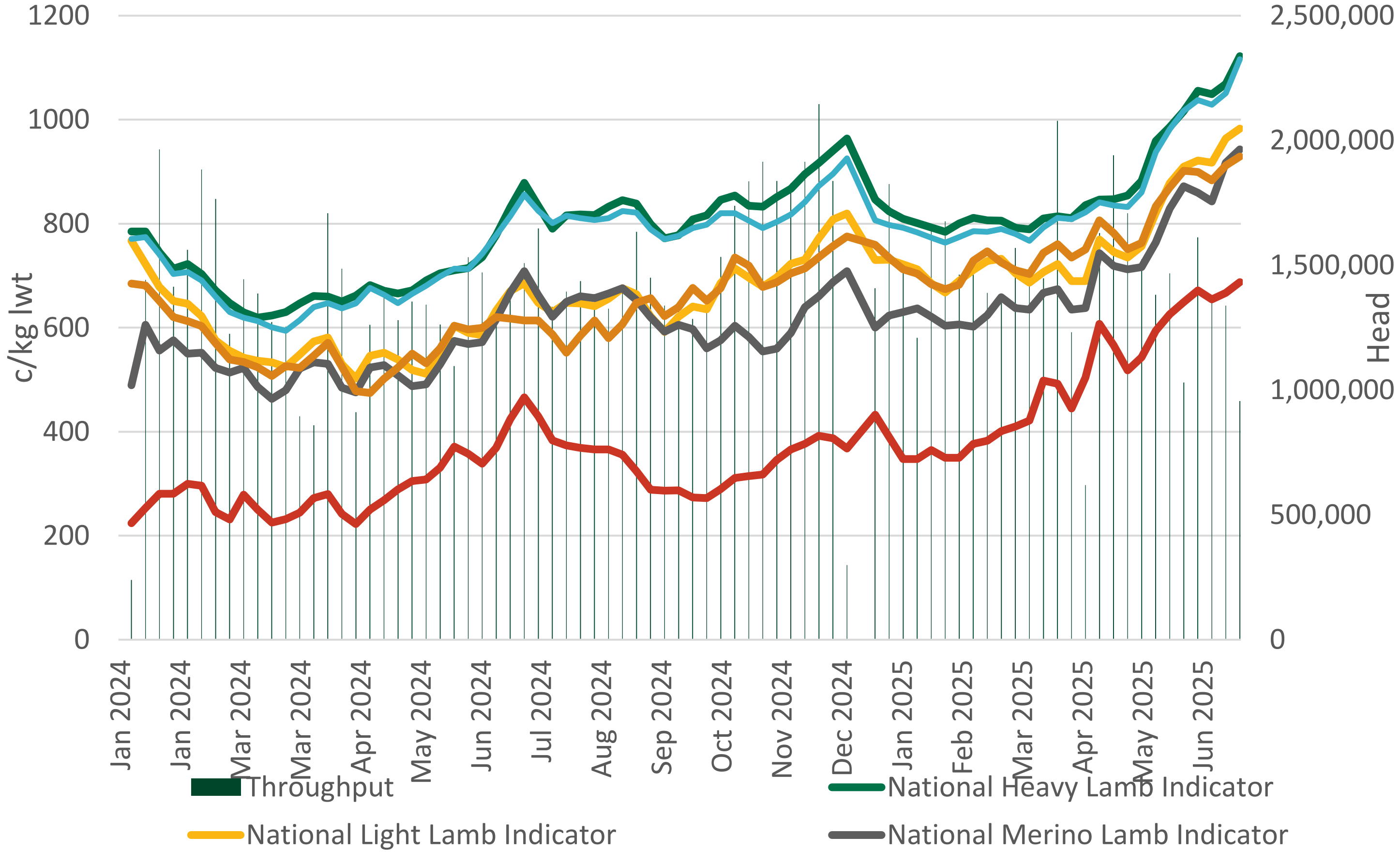
Source: ABS, MLA Forecast

Trade lamb prices at record levels

Lowest supply of lambs in 2 years – uncertain supply

157% increase in trade lamb prices since 2023 (when prices where at 20 year lows).

Sheep indicators



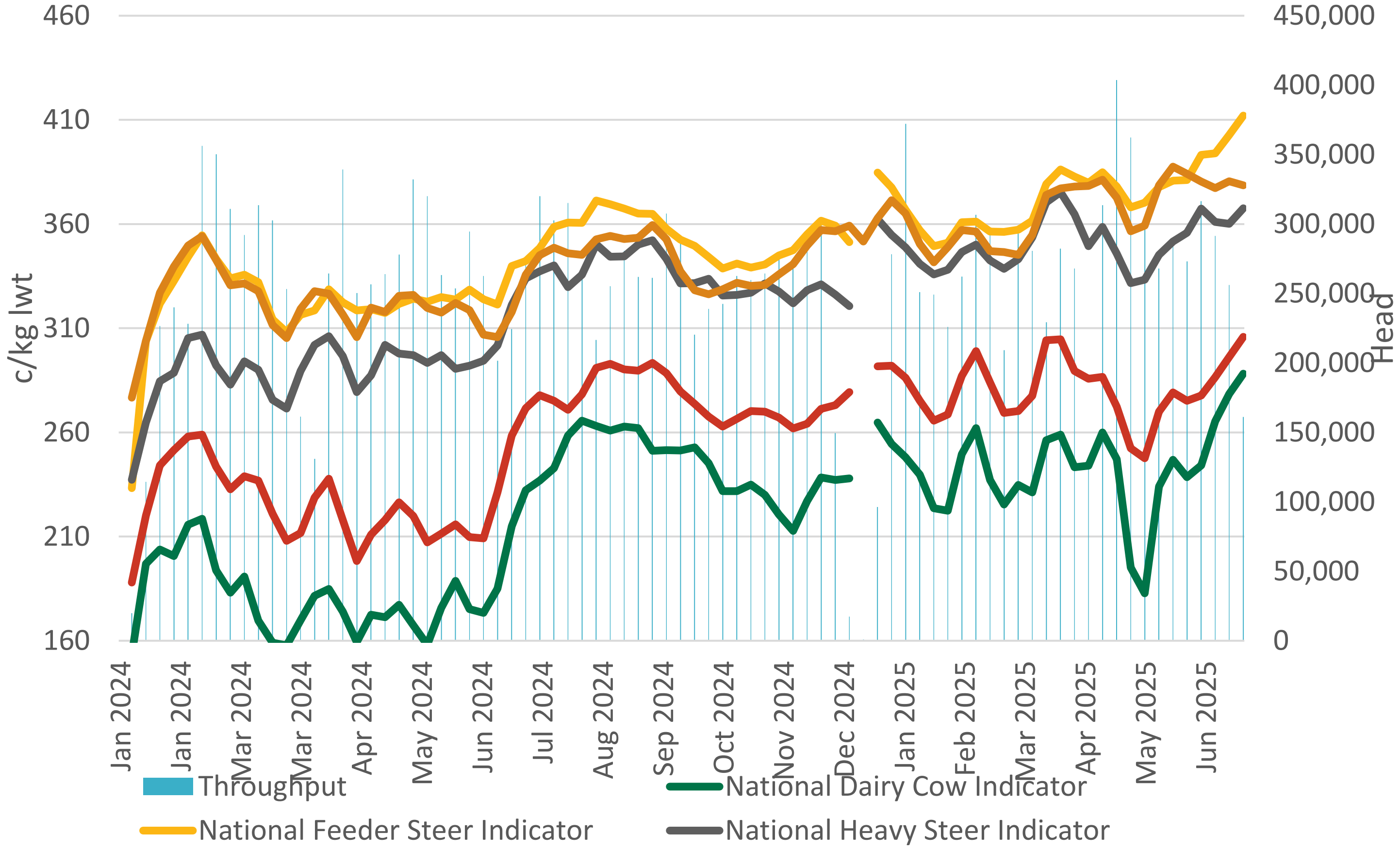
Source: MLA NLRS

All sheep indicators at all time records (Ex. Mutton)

Short supply pulling up merino lamb prices

Processor activity surpassing traders interest

Cattle indicators



Source: MLA NLRS

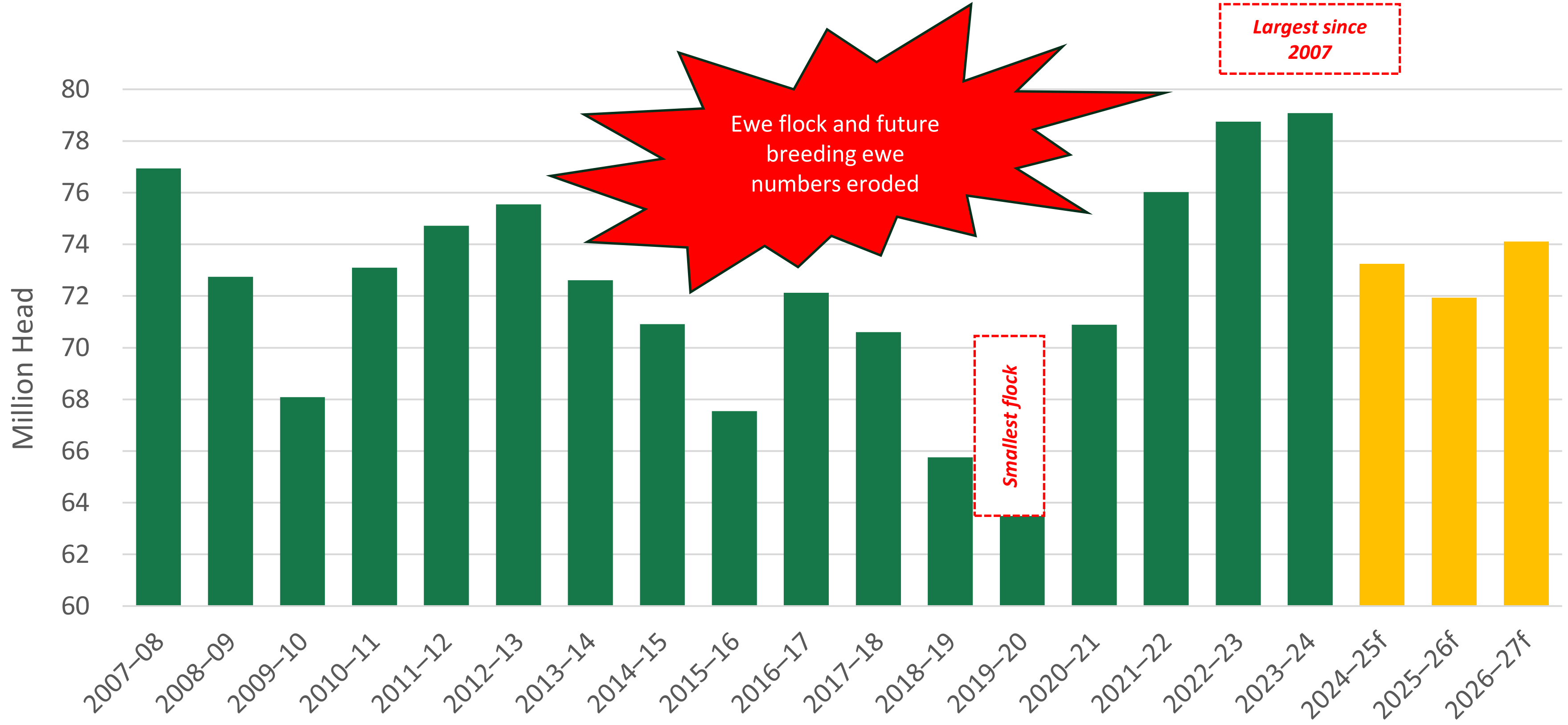
Feeder prices up due to lower supply in southern Australia

Strong female cattle prices due to US demand

Low restocker demand impacting young cattle prices

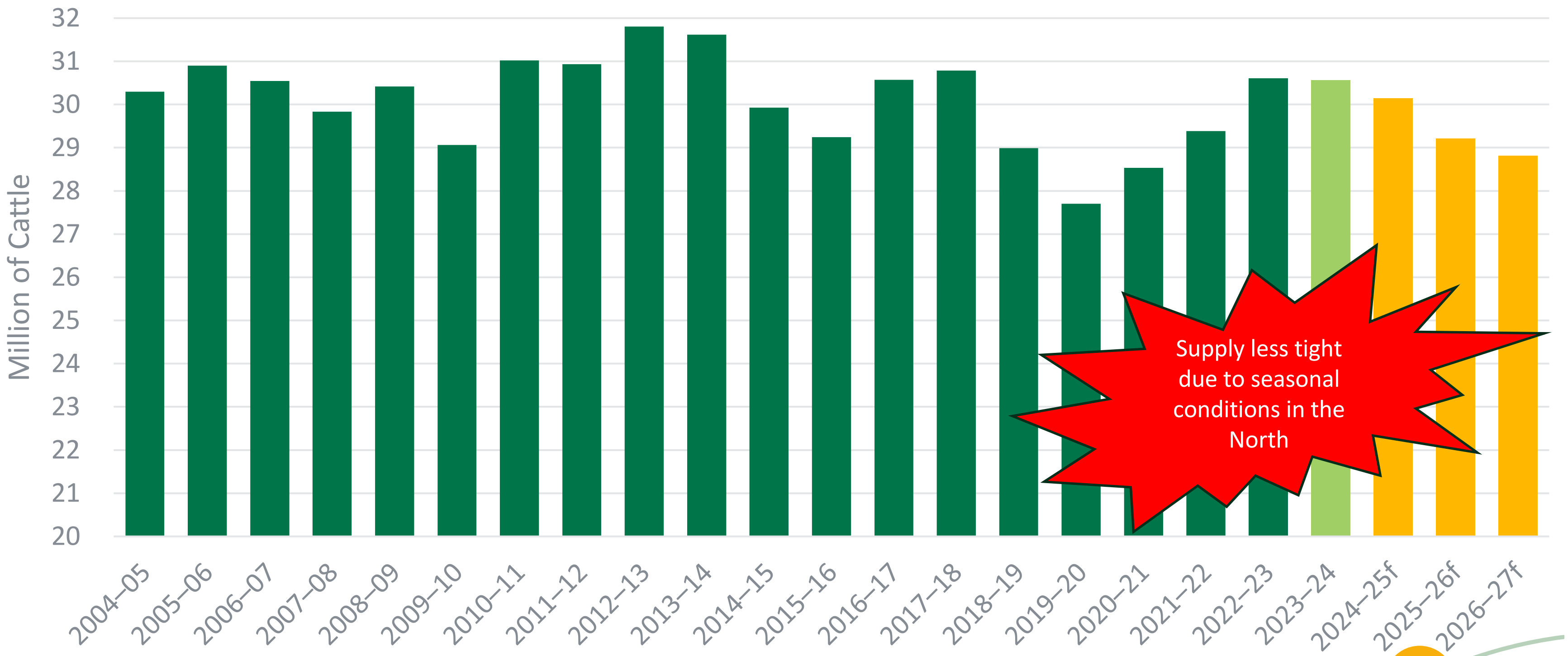
Drivers

The flock is expected to be small over the next three year – but not as small as 2020 driven by weather conditions



Source: ABS, MLA estimate

The herd will be flat this year (Above 30m) as the north is still rebuilding



Source: ABS, MLA estimate

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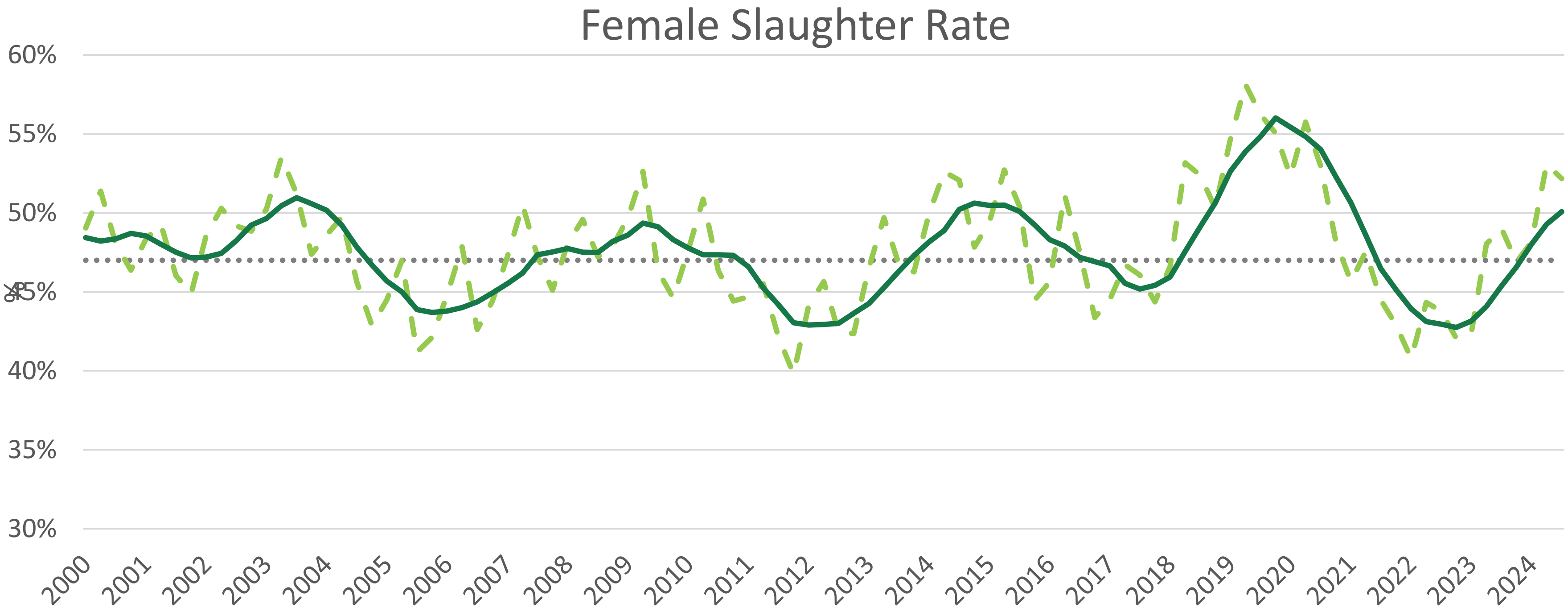
Quarterly FSR – in a technical rebuild



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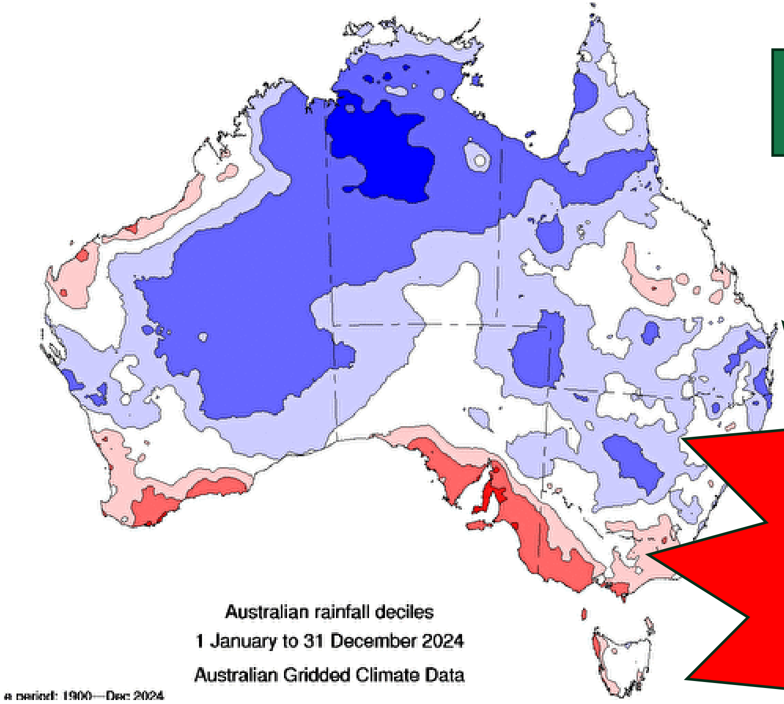
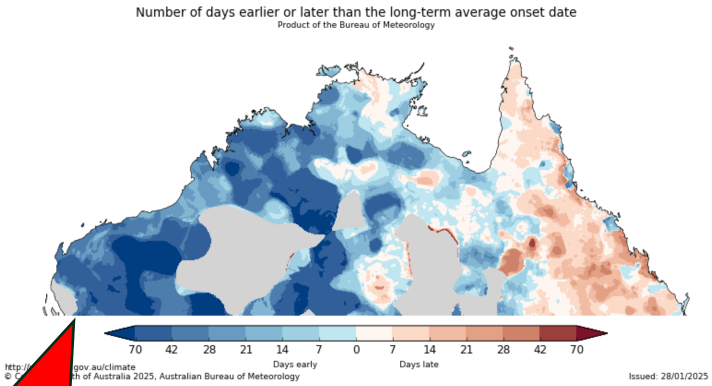
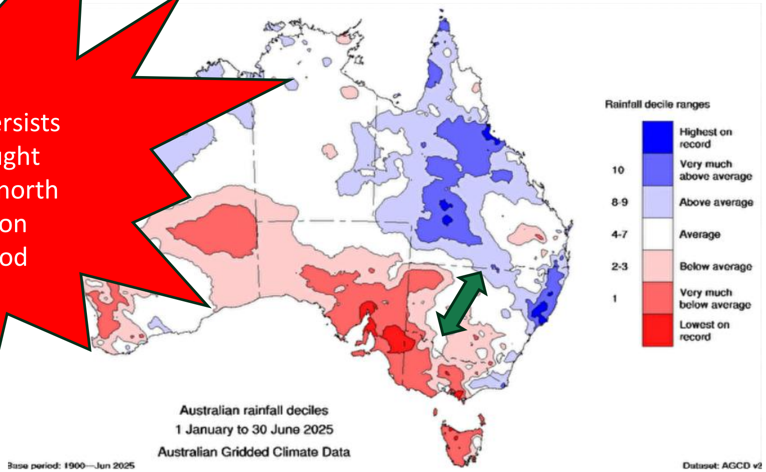
Weather has impacted 2025. A tale of two (2) seasons

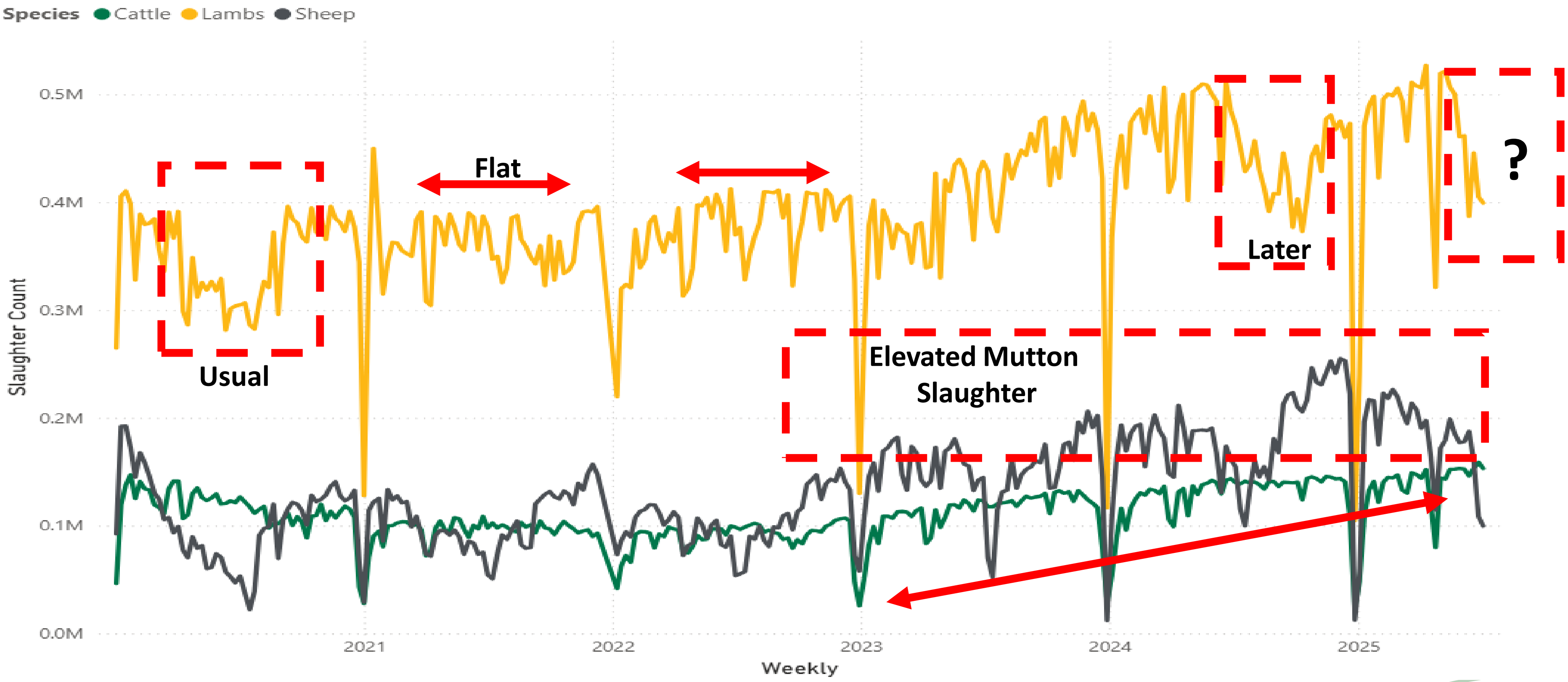




1. Southern drought persists
2. South drought extending north
3. North season late but good



Some interesting slaughter dynamics



Source: NLRS

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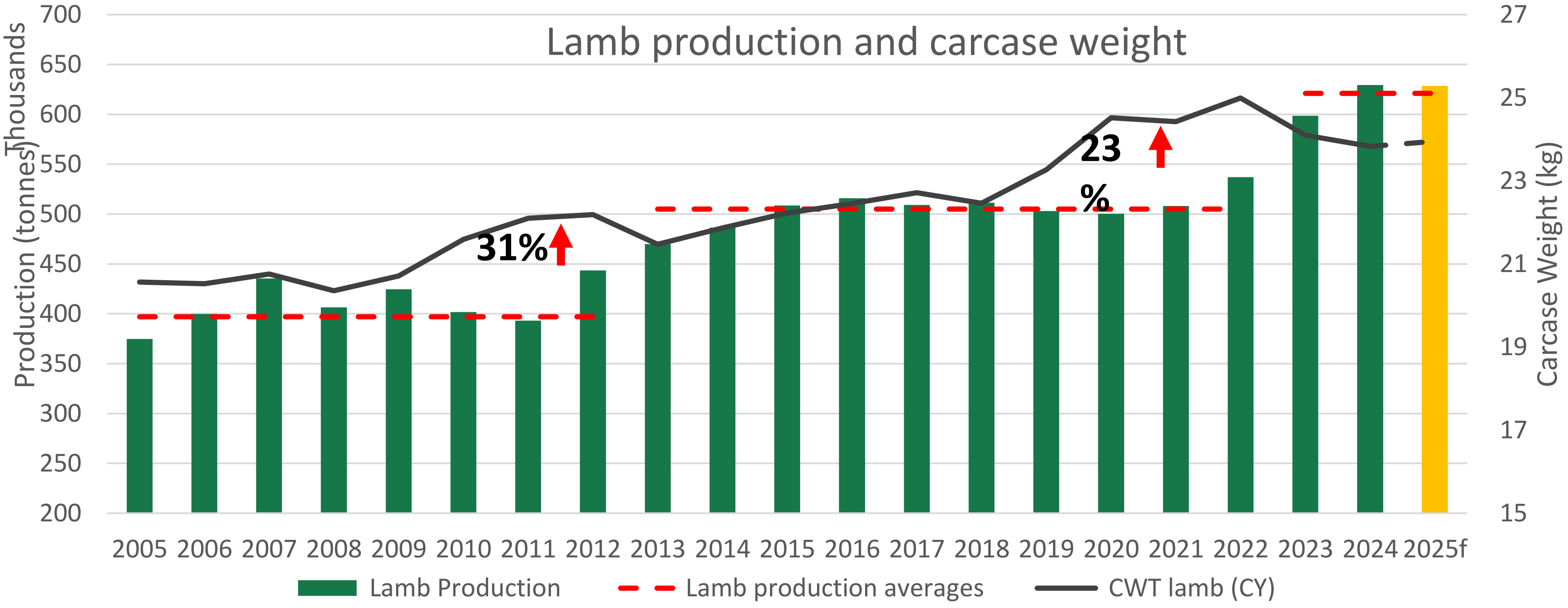
Supply chains have invested in capacity – so they have a neeed to operate at newer higher capacity



Source: ABS, MLA Forecast

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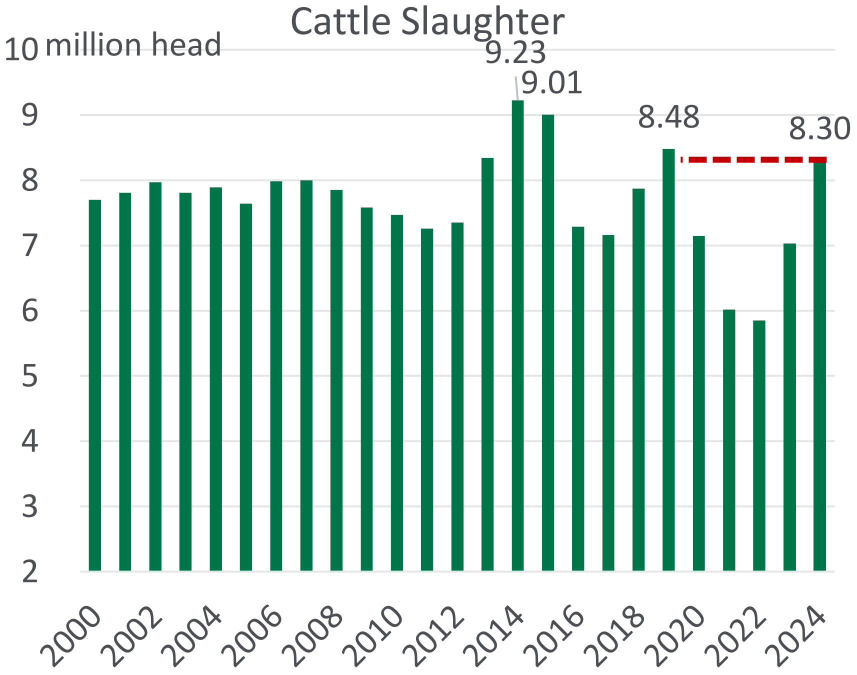
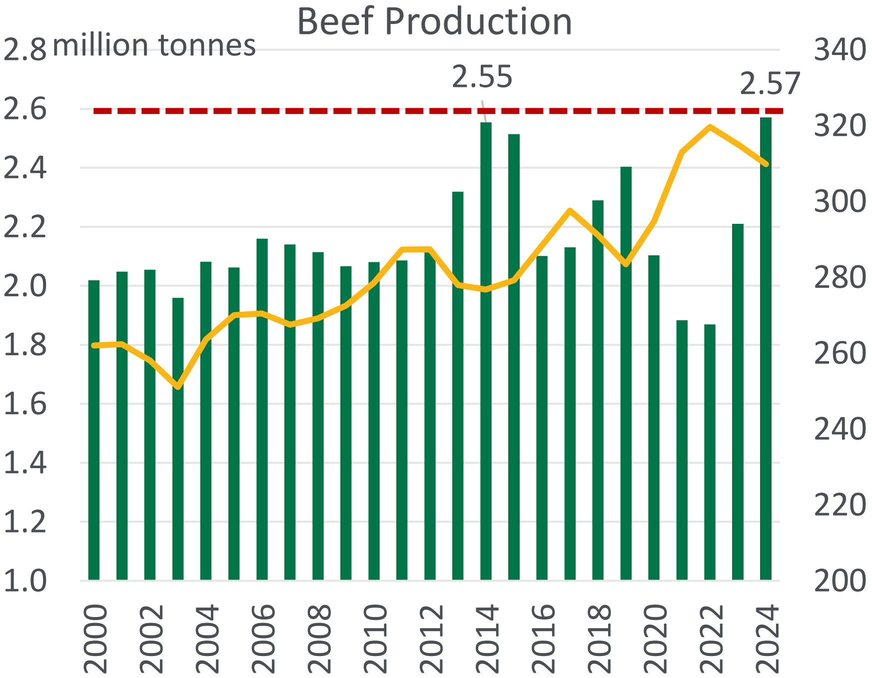
Producing more from less – need to move meat faster and store it





Source: ABS and MLA estimate

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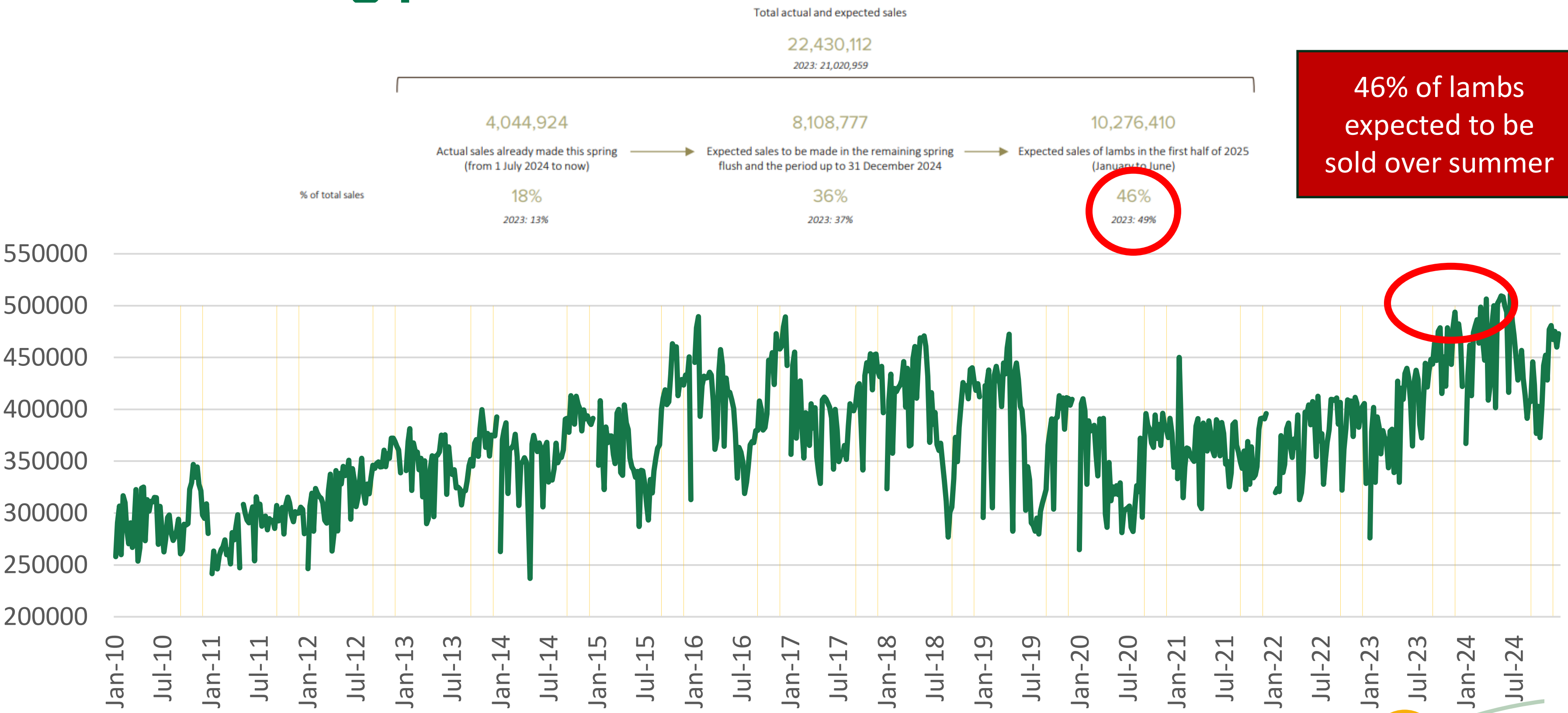
Lambs hitting processors later – Summer



46% of lambs expected to be sold over summer

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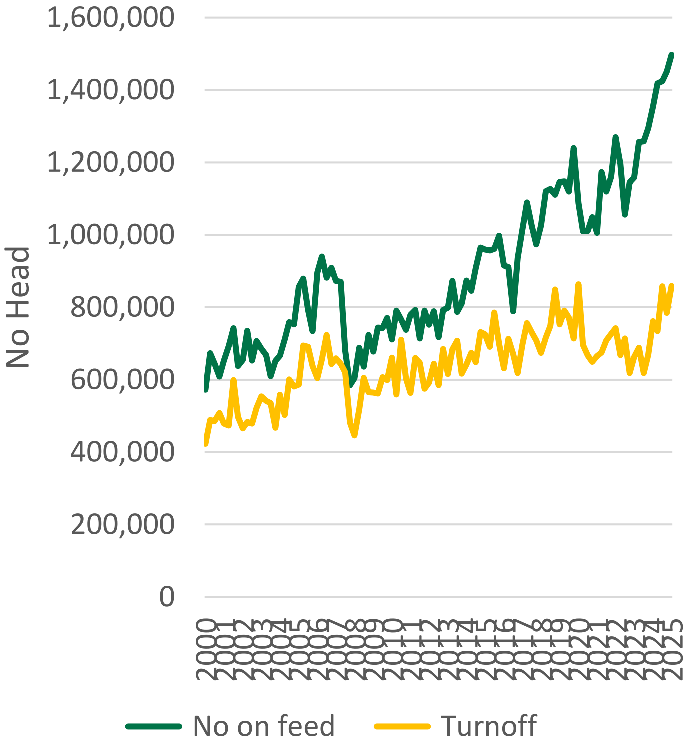
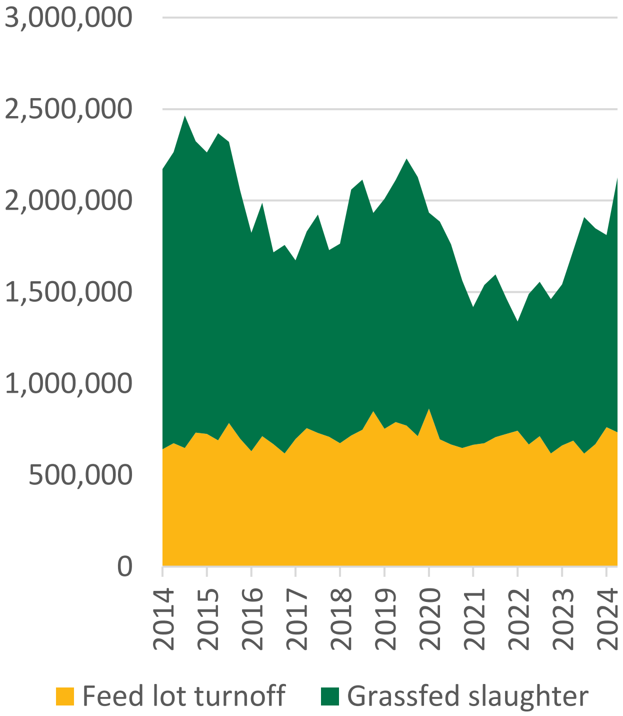
Feedlot sector – days on feed had been increasing & now maxing out





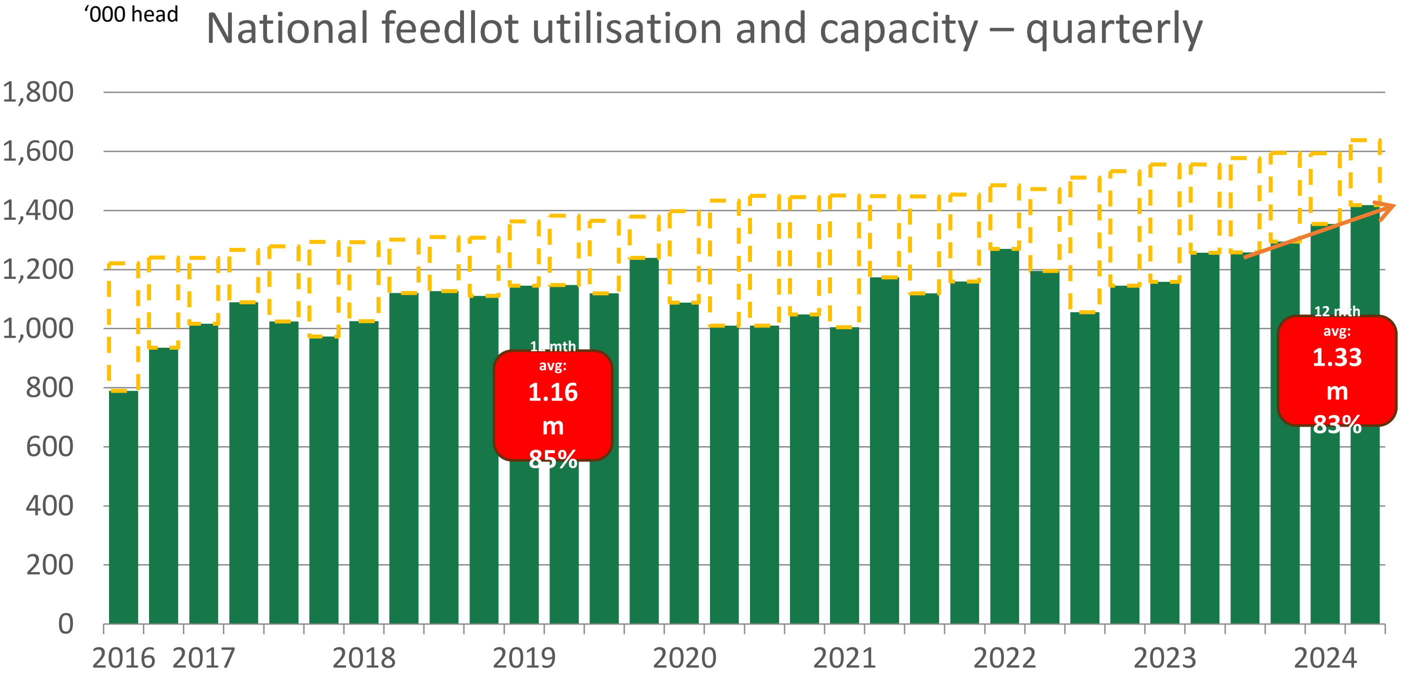
Days on feed has been increasing since 2020

Increasing capacity being built

All additional beef coming from grassfed

Source: ALFA, MLA calculations

Capacity above 1.6m with high utilisation



Record capacity: >1.6m head

Australia is investing in grainfed infrastructure

High utilisation – are pens effectively full?

Source: MLA, ALFA

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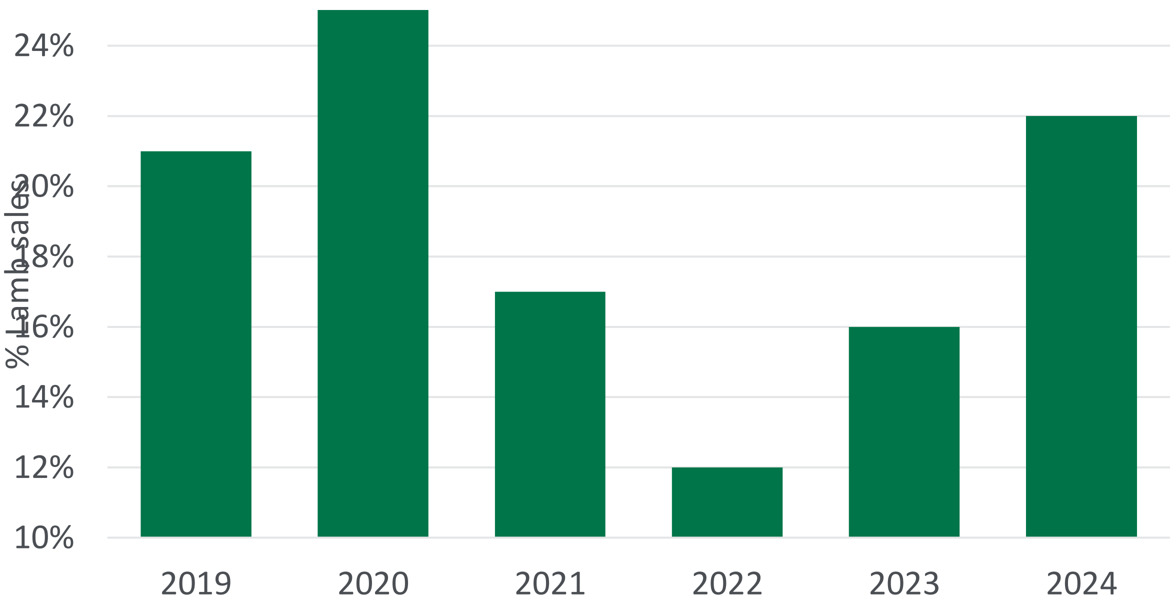
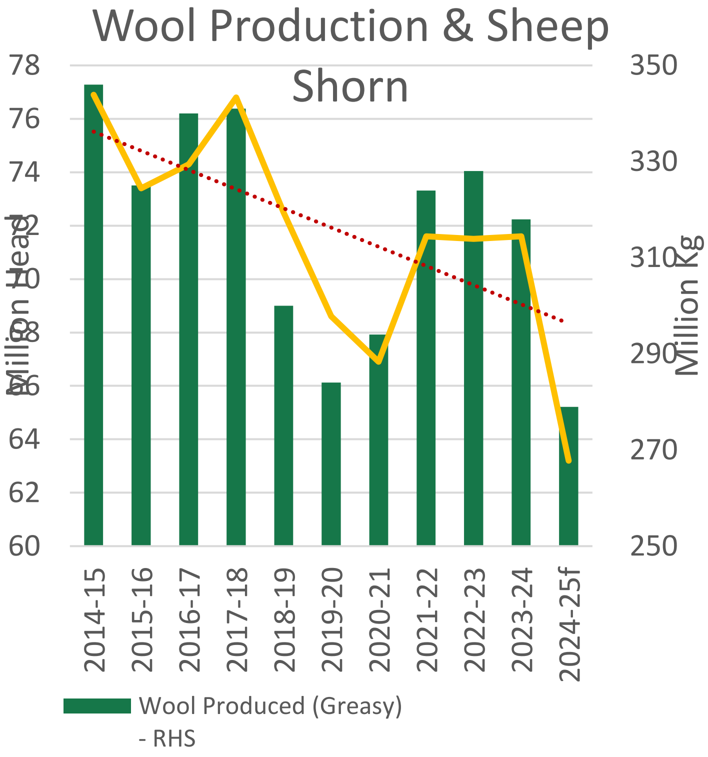
Is grainfed lamb a 'thing' and can it help smooth seasonality?

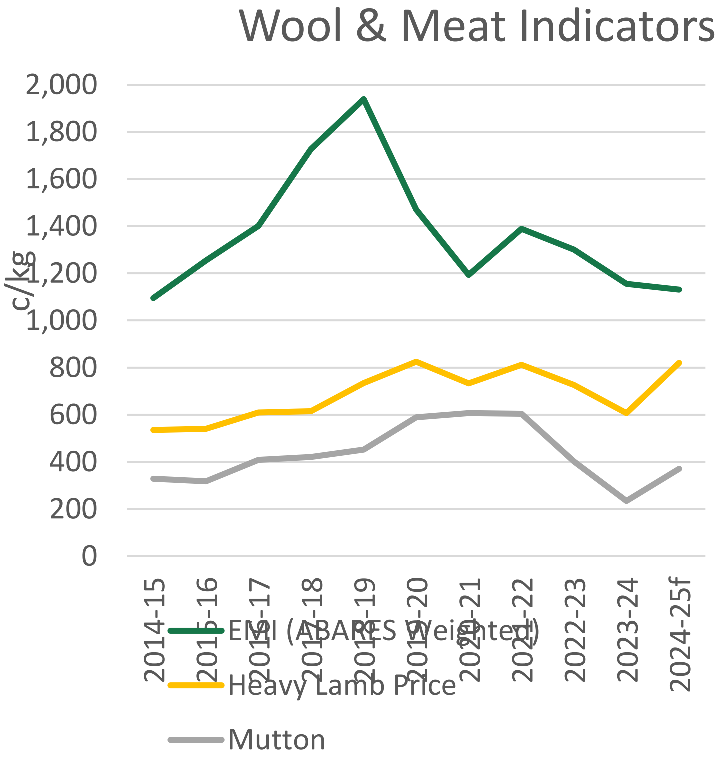


Is lamb feedlotting here to stay or is it a drought tool?

Source: MLA & AWI SPIS

The two commodities – wool and meat side by side





Wool production and the number of sheep shorn is dropping

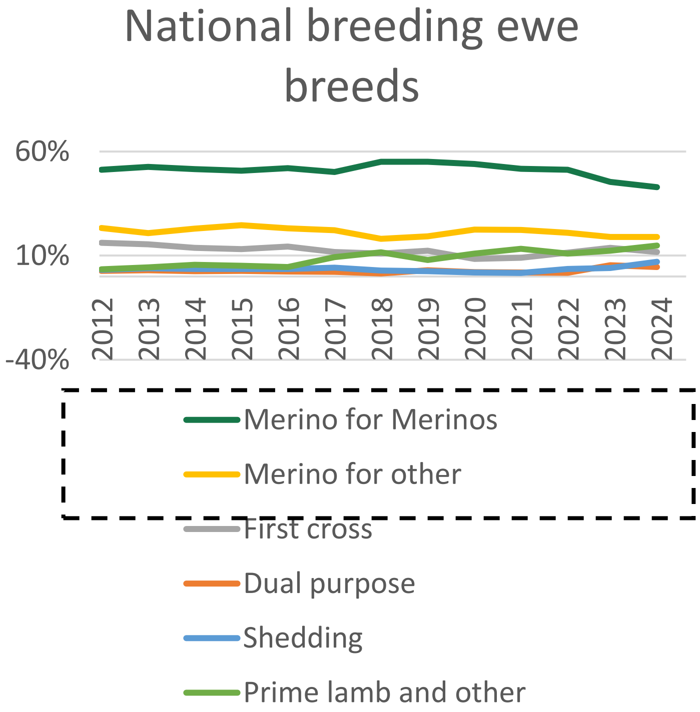
Since prices of nearly $20kg in 2019, woolprices have dropped $8/kg or 42%

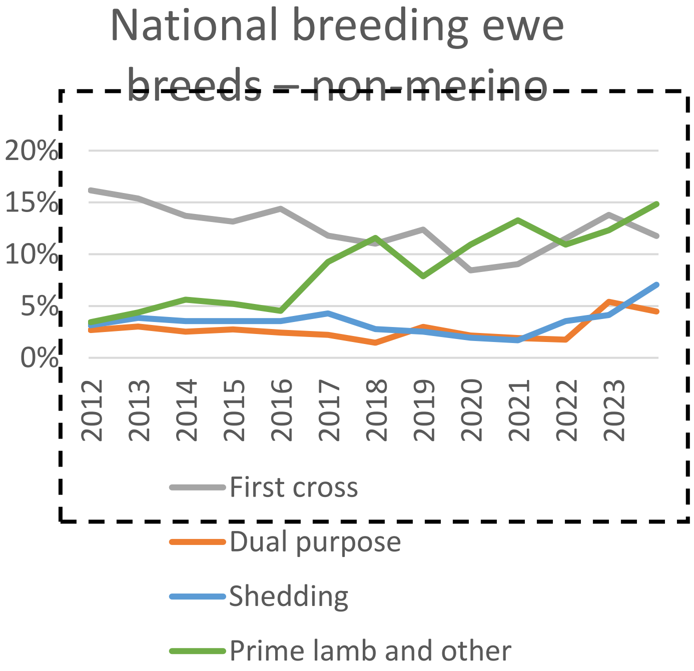
Low wool prices have persisted since 2020.

Whereas, heavy lamb prices are in line with 2019 prices – less of a drop

Source: MLA, AWEX, AWI

How the flock is changing





The proportion of breeding ewes that are for wool fell below 50% for the first time ever in 2022.

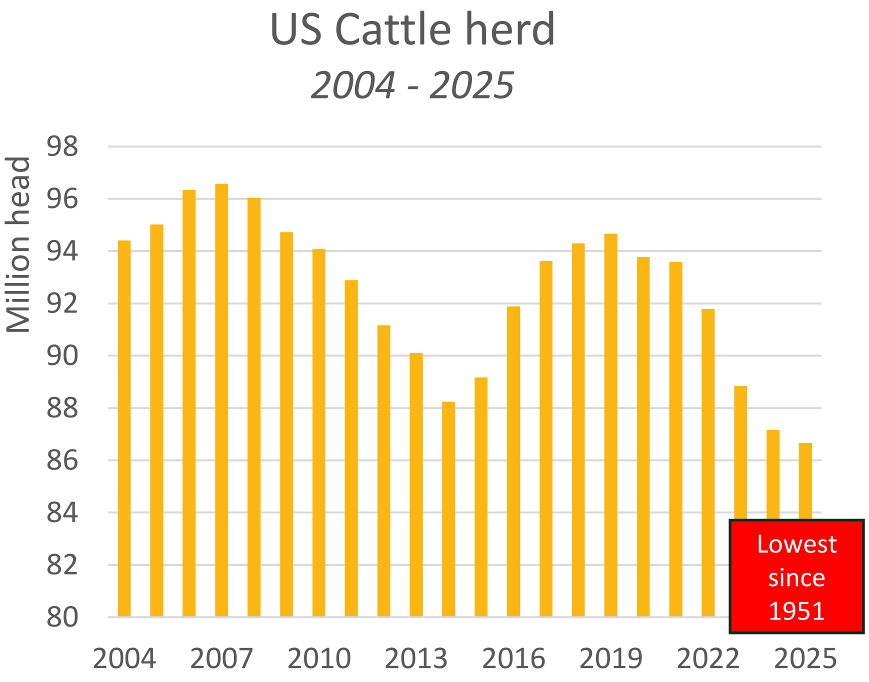
Shedding sheep now account for 7% of all breeding ewes.

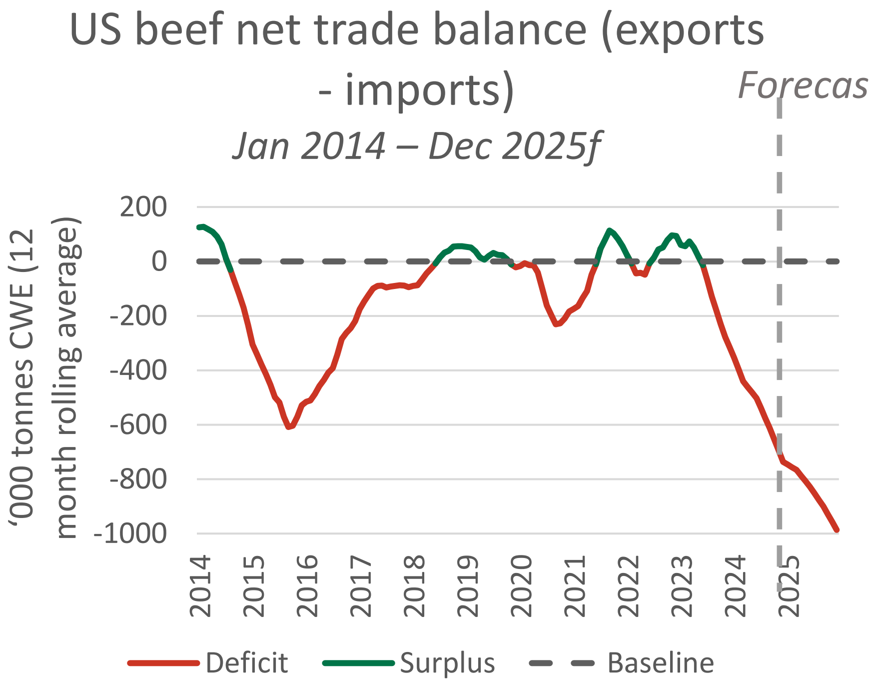
There are now more meat breed ewes than first cross ewes.

15% of ewes are of a meat breed.

Source: MLA SPIS

Low American cattle numbers are forecast





Source: USDA, MLA calculations

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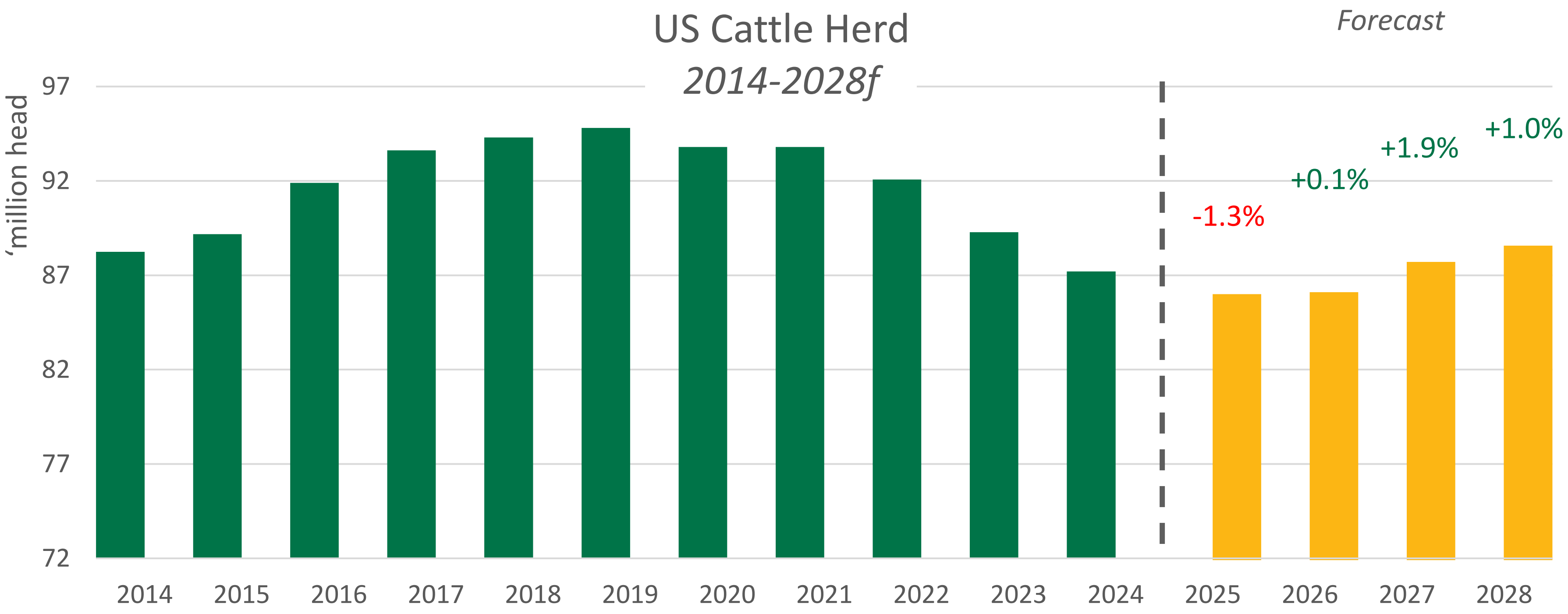
The opportunity for Australian red meat



Source: USDA NASS, USDA ERS

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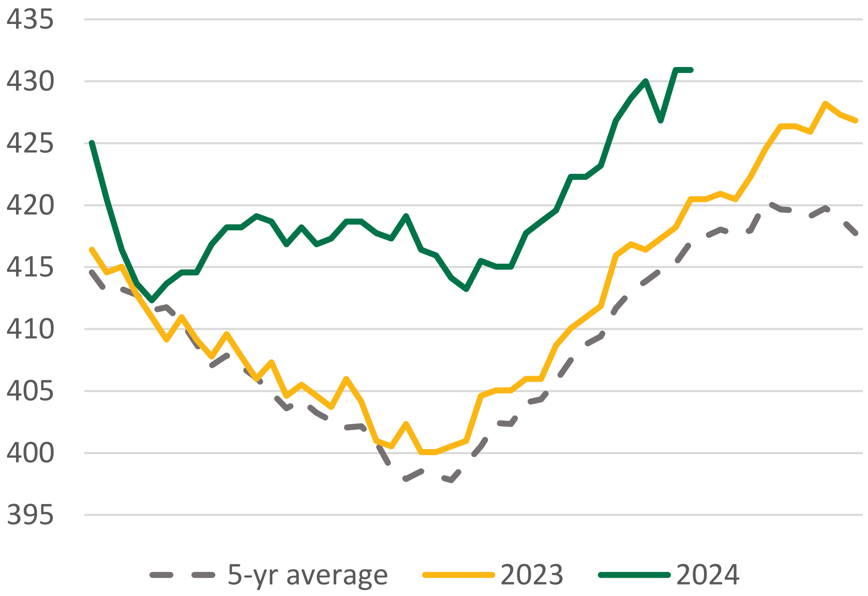
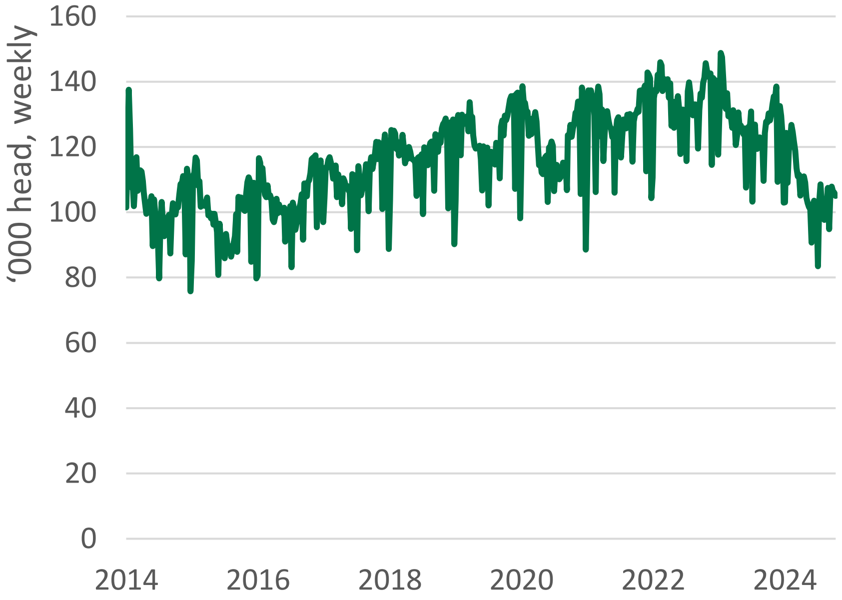
American steer & heifer carcase weights are hitting record highs, offsetting a decline in cow slaughter

US Steer weekly carcase weights



US cow slaughter



Source: USDA

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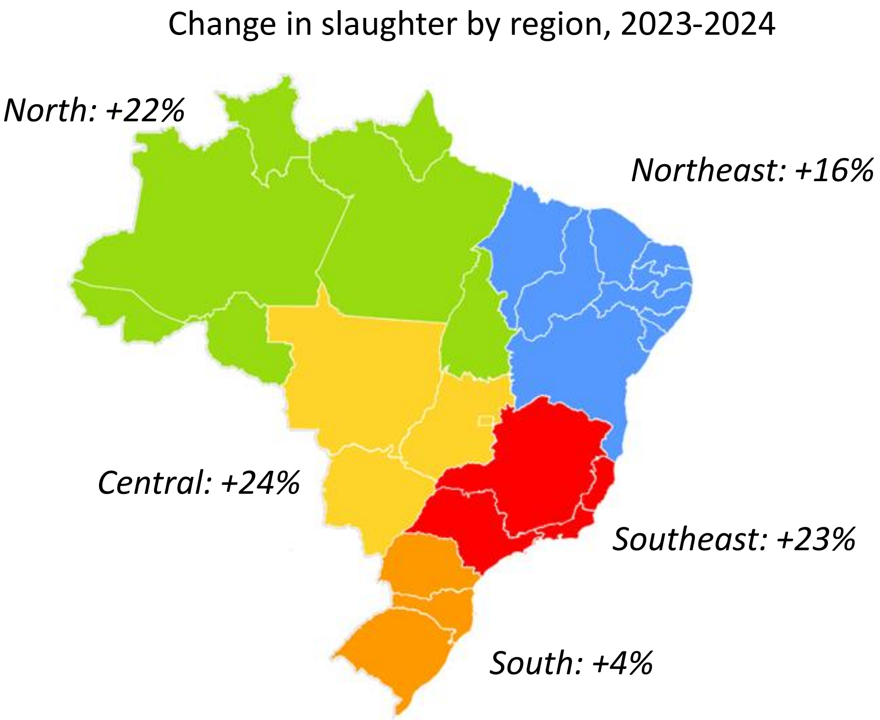
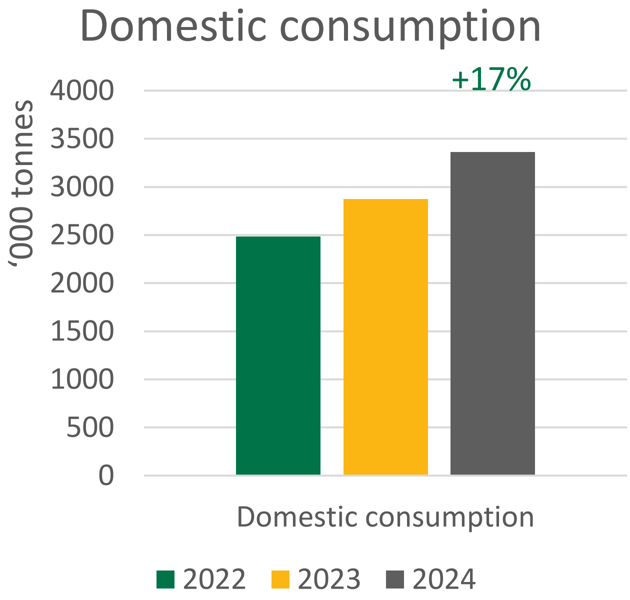
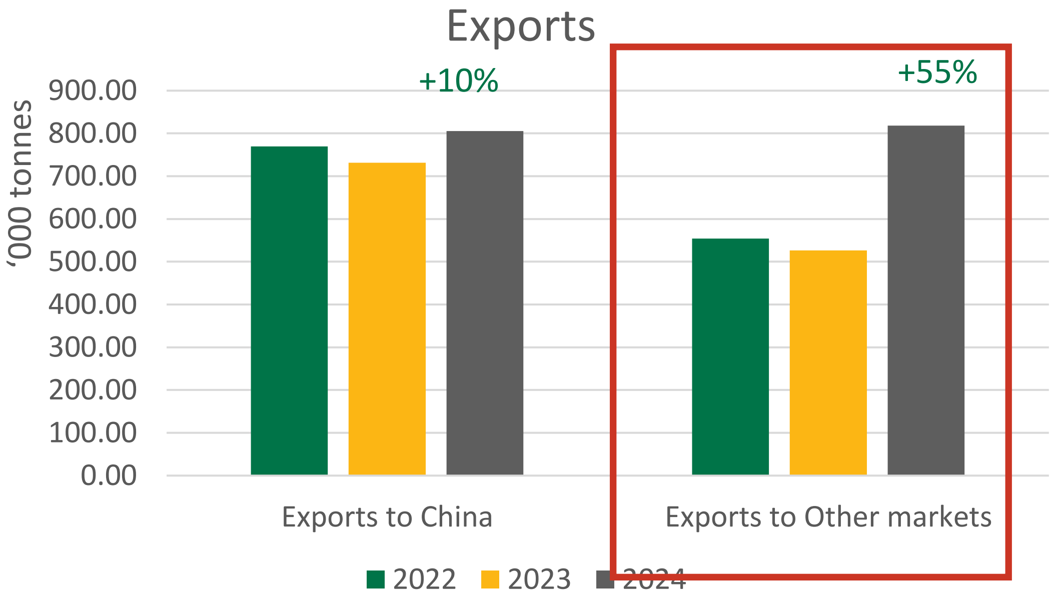
Destocking in the interior of Brazil will drive slightly lower production in 2025, and further declines in 2026



Source: CEPEA, USDA

This has led to a surge in domestic consumption, alongside export growth





Source: IBGE, TDM, MLA

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Take Away Points

1. **Many factors drive prices**

2. **Prices are currently good due to low domestic and global supply & high demand.**

3. **National weather impacts price**

4. **Consider:** weather, slaughter capacity, long term supply, the role of feedlots, international markets

Questions