

# What do the numbers tell us? The outlook for the sheep sector

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# Firstly we need some numbers



332.6p/kg      -0.8%      +116%      +0.5%

-19%      140.2p/kg      -£12.65      +231%

-£15.81      -5.1%      £3813      NZ\$98      -1.7 million

+27%      +£13.96      £18.34      £19,500

+3.8%      -1.4%      -23%

£16,500      -58p/kg      -3.0%      532.6p/kg



**But what do any of these mean?**



- Prices
- Sheep numbers
- Global supply and demand
- Profitability



# GB (and World) pricing rollercoaster



- **332.6p/kg** – Recent low of DW trade Jan 13
- **140.8p/kg** – Recent low of LW trade Jan 13

p per kg dw



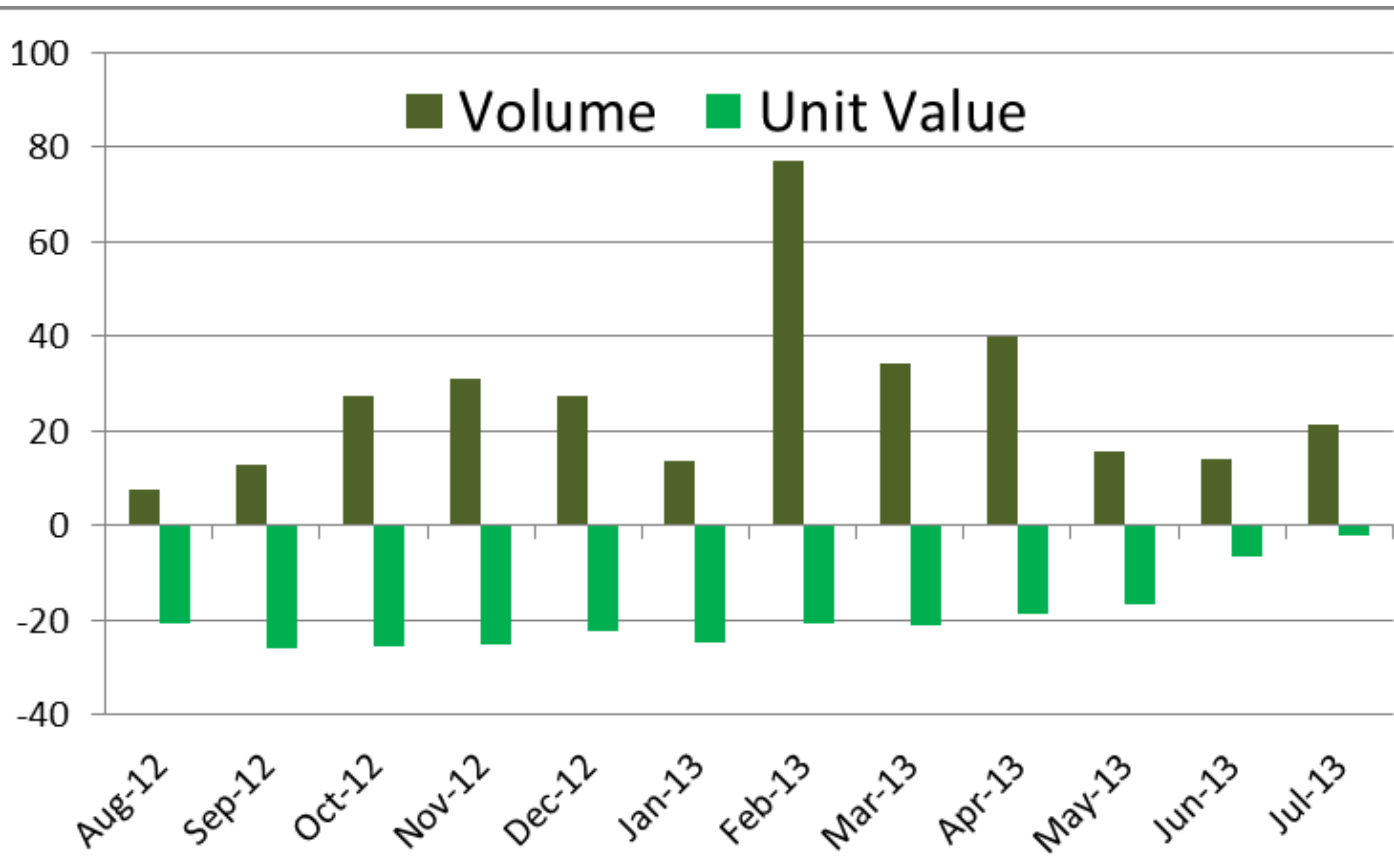
- **2012/13 lamb price fall**
- **Due to a no. of factors**
- Weather
- Demand
- Competition



# Impact of New Zealand imports



- **+27%** - yoy rise in UK from NZ 12 months to July 13
- **£3813** – Average value of these imports **-19%** yoy



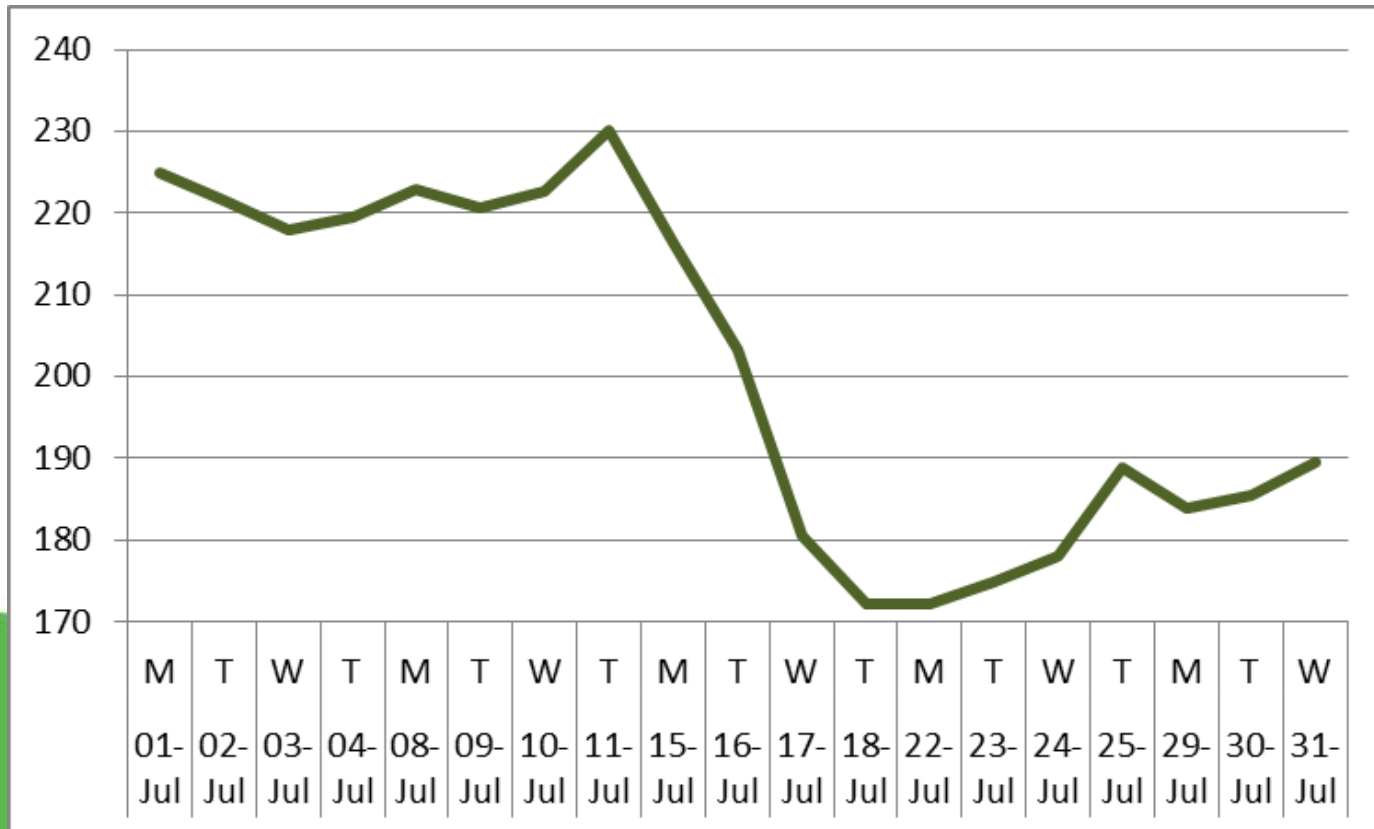
- Not just the volumes and the price
- Also the timing and the make up of imports



# 2013 GB price volatility remains



- **532.6p/kg DW (253.0p/kg LW)**
- **-58p** – the drop in LW prices in 1 week



- 2013 price rise
- Still v volatile
- July trade saw largest drop in trade on record
- Seasonality looks to be in place this year



# Regional June Sheep numbers



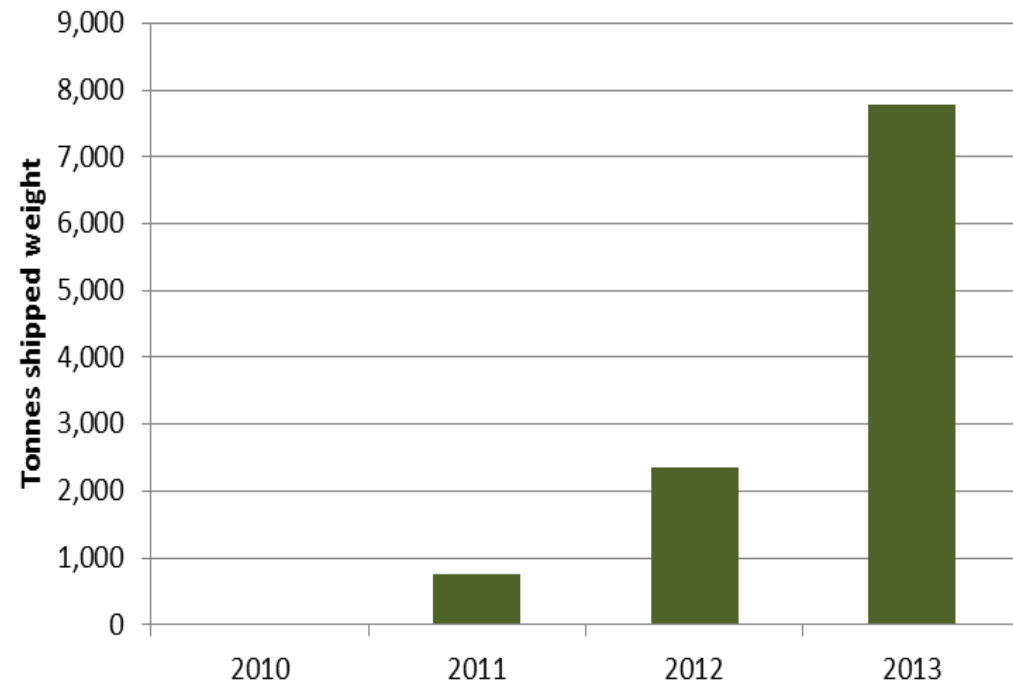
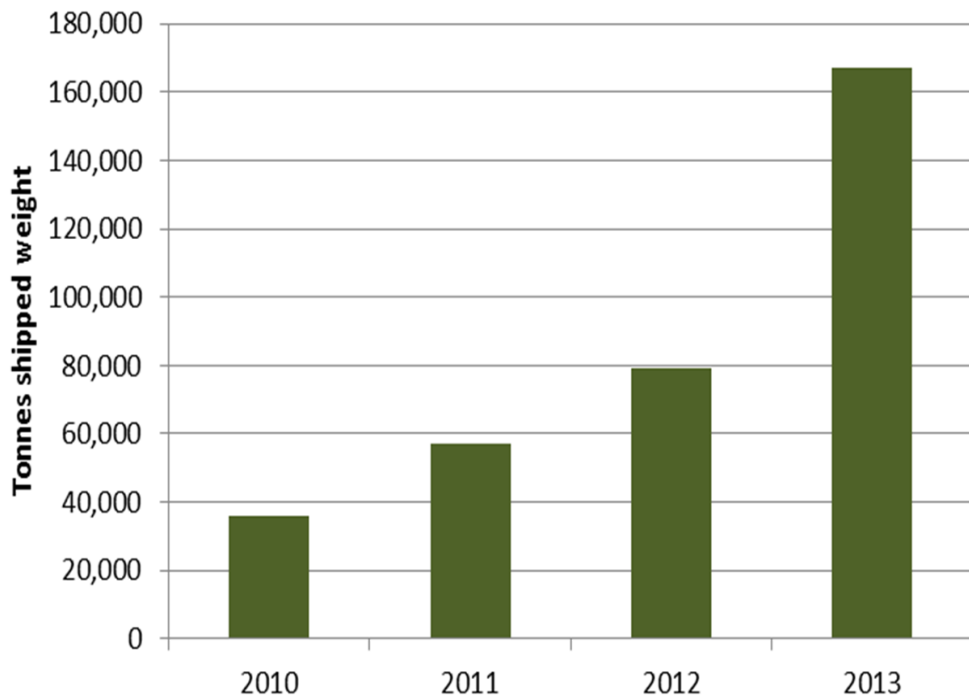
- **+3.8%** - rise in English ewe numbers
- **+0.5%** - rise in English lamb numbers
- **-0.8%** - fall in Scottish ewe numbers
- **-5.1%** - fall in Scottish lamb numbers
- **-1.4%** - fall in Northern Irish ewe numbers
- **-3.0%** - fall in Northern Irish ewe numbers
- **Wales ?**



# Global Demand and the China effect



- **+116%** - rise in Chinese sheep meat imports in 2013
- **+231%** - rise in UK exports to Hong Kong in 2013



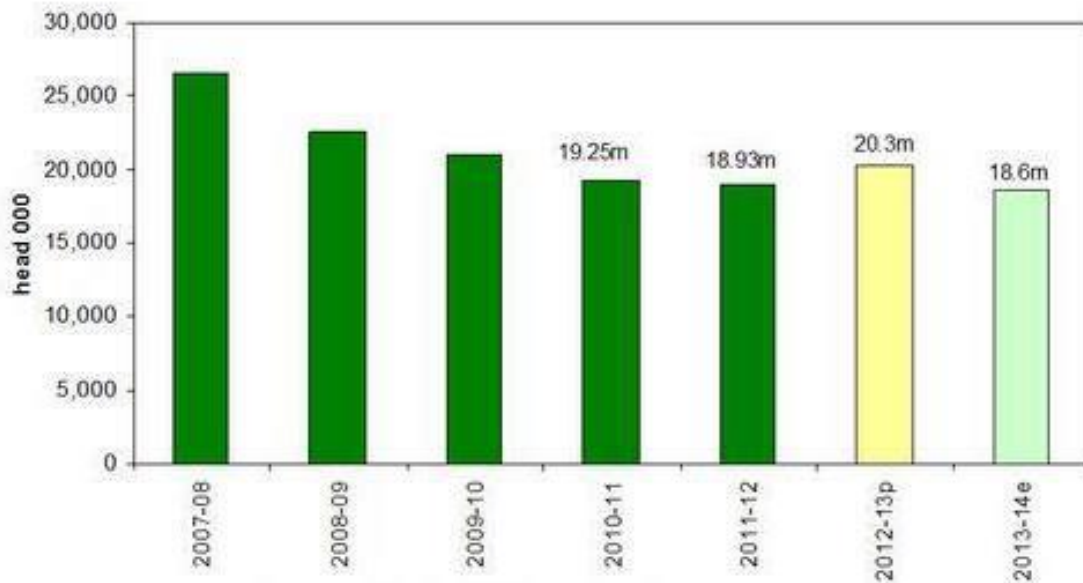




# Tight trading supplies globally



- **-1.7 million** – forecast drop in the NZ lamb kill 13/14
- **NZ\$98** – forecast NZ lamb price for 2013/14 +15% yoy



Source: Beef + Lamb New Zealand Economic Service

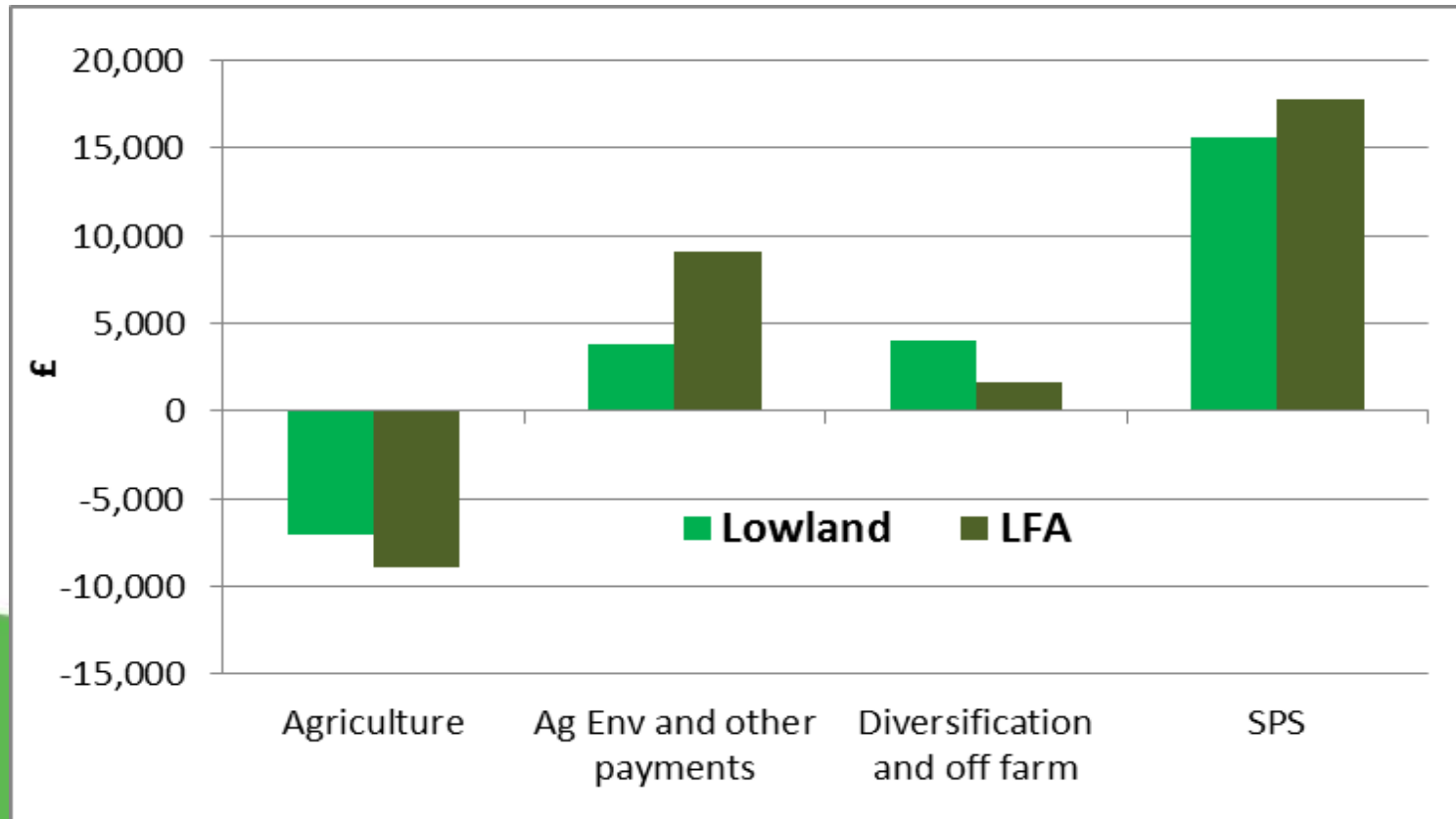
- NZ Ewe numbers also down (-1%)
- AU 2014 lamb kill = -2.4%
- ROI – ewes down 1% and lambs down 3% in June



# DEFRA farm business income figures 2012/13



- **£16,500** – Average income for lowland grazing farm
- **£19,500** – Average income for LFA grazing farm





# Profitability still an issue

## New Stocktake Figures



- **£18.34** – Net Margin per ewe in Top 1/3 Lowland flocks
- **-£12.65** – Net Margin per ewe in average Lowland flocks
- **£13.96** – Net Margin per ewe in Top 1/3 LFA flocks
- **-£15.81** - Net Margin per ewe in average LFA flocks

**The three factors of this are output,  
variable costs and fixed costs**



# Little influence over market return and CAP reform



KPI's - focus on what can be controlled not what can't be .



- |                                    |              |
|------------------------------------|--------------|
| – Lambing % - genetics             | farm control |
| – Wool production per sheep        | farm control |
| – Carcase weights [& growth rates] | farm control |
| – Loss rates                       | farm control |
| – Fertiliser per ha or per su      | farm control |
| – Price levels, meat, wool         | low control  |
| – Farm expenditure per ha, su      | farm control |
| – Gross Margins sum of above,      | farm control |



# Conclusions



- A pivotal point for the industry
- A lot of the optimism and confidence has been eroded
- The next 12 months will prove key both weather wise and price wise
- Need to restore some confidence
- We have got a product the world wants but we need to make it profitable and sustainable



# Thank you for listening



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