

News Release

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Shear opportunities ahead for Australia's sheep industry

The marked decline in Australia's sheep numbers has ultimately benefited the industry leading to its strongest position in decades, according to ANZ's agricultural insight report, *Shear Brilliance*.

Released in Shanghai today during ANZ's latest customer delegation to Asia, the report highlights the drastic decline in sheep numbers during the past 50 years. In 1970 the national flock was around 180 million, and today sits at around 69 million, run by approximately 31,000 producers.

"The domestic decline in sheep numbers was caused by a range of factors, including low sheep and wool prices and a shift from sheep to grain and cattle farming which at the time provided more attractive export options and were viewed as less 'hands-on' to run," said ANZ Head of Agribusiness Mark Bennett.

ANZ's report highlights that while China continues to build its flock, Australia and New Zealand remain the world's two largest producers and the outlooks for both sheep meat and wool look positive.

For sheep meat, prices are high and are expected to remain so, due to low Australian sheep numbers which are estimated to grow by around 1 per cent per year from 2020. A lack of near competition, with the exception of New Zealand, also reduces the chance of a major oversupply.

Falls in domestic lamb and mutton consumption have stabilised and make-up around ten percent of the Australian meat diet, while sheep meat exports continue to grow. China is now the largest market for Australian sheep meat, while the Middle East and the US provide strong demand.

"While sheep meat may only be a relatively small percentage of China and the US's total meat consumption, the sheer scale of these markets means large volumes of Australian product are required," said Mr Bennett.

For Australian wool, the outlook is also promising. While the world's flock is increasing, its focus is on sheep meat, creating limited wool supply. This has led to export opportunities, with China's wool imports rising from around 200,000 tonnes in the early 2000s, to more than 350,000 tonnes in recent years.

"Limited supply, particularly for fine apparel sub 24.5 micron wool, combined with growing interest in natural fibres over synthetics amongst Asia's middle-class, is expected to maintain strong demand for Australian wool," said Mr Bennett.

Despite the rosy outlook, ANZ's report highlights a number of challenges for the industry.

"Changing consumer trends including a potential preference for grain finished meat, perceived health concerns regarding red meat consumption and the wider availability of alternative proteins in major export markets, could pose some risk," said Mr Bennett.

"Wider political and economic factors such as animal welfare concerns, trade regulations as well as climate variability and biosecurity risks, are also issues that the industry must monitor and prepare for."

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Notes to the editor

The full version of ANZ's latest agriculture report can be downloaded from the [ANZ Business Hub](#).