

Sheep



February Monthly Update



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Key Watchpoints – February

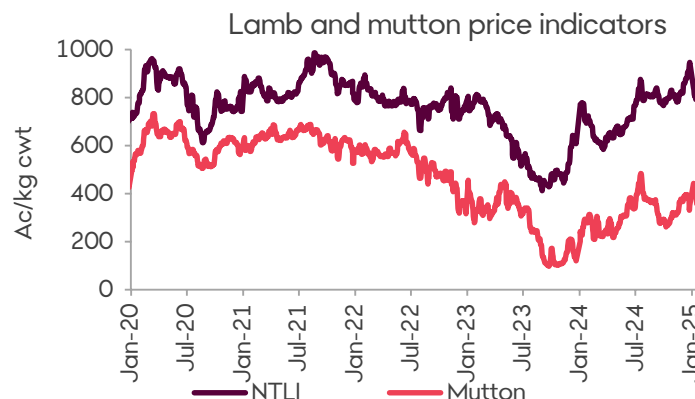
- High processing rates have continued into 2025 – how long can these rates be maintained before supply dwindles?
- The US is the largest market for Australian lamb, so any tariff announcements targeting imports from Australia will be keenly watched by processors and exporters.
- Where is the rain? Many sheep producing regions have had a hot and dry summer – which is seeing turn-off remain elevated.

Lamb markets to remain steady throughout February

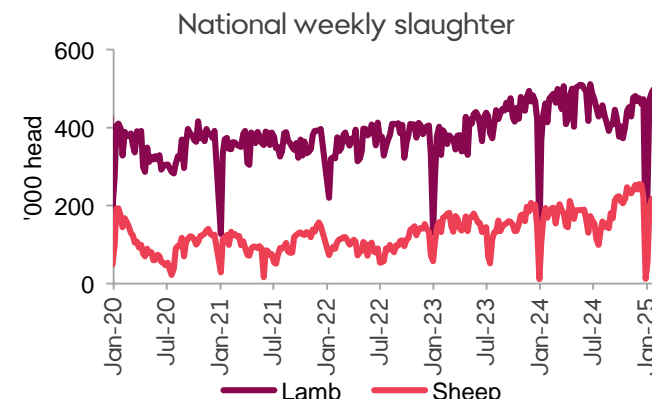
Lamb markets have moved lower to start 2025 after peaking just prior to the Christmas break. The National Trade Lamb Indicator (NTLI) reached above 900 c/kg in late December but has since eased to back around 770 c/kg. At this level, the NTLI is 11.5 per cent higher year-on-year and 1.2 per cent above the five-year average.

Mutton markets started the year with a bang, jumping 50 c/kg from levels seen in December before falling away sharply in the middle of the month. The National Mutton Indicator is now at around 370 c/kg, which is up 16.7 per cent compared to this time last year, but down 22.9 per cent from the highs seen in mid-July 2024 and 20.3 per cent below the five-year average.

The weakness in prices to start 2025 is in part due to continued high supply, but also reports that processors were booked up throughout most of January, resulting in weaker buying interest over the past few weeks. Lamb markets are expected to be relatively steady throughout February, as the supply of finished lambs and continued dry conditions will limit upside, while prices will be supported by strong processing capacity. Mutton markets should see further support over the next few months as supply tightens, although continued dry seasonal conditions in key sheep producing regions may see that supply pressure continue for a while yet.



Source: MLA



Is the increased supply of sheepmeat sustainable?

Lamb and mutton supply has quickly jumped back to pre-Christmas break levels, only taking two full processing weeks to climb back above the 700 thousand head combined slaughter mark.

Starting with lamb, 2024 saw record processing rates, peaking in the first half of the year before slowing down in the third quarter. Supply has leapt back up to start 2025, with slaughter averaging 424 thousand head per week in January, down 1.3 per cent from this time last year. Supply is expected to remain relatively elevated for lamb throughout the first half of 2025, with reports of high numbers of lambs on feed and traders taking advantage of the higher lamb prices following a tough cropping year in some parts. The MLA sheep producer intentions survey also highlighted that there are a lot of lambs still out there, and although we may not see slaughter numbers as consistently high as autumn last year, supply should still be higher than the second half of 2024.

Mutton slaughter really took off in the second half of last year, with rates at times exceeding 250 thousand head per week for the first time since 2006. Processing rates have not reached those lofty heights so far in 2025, but mutton slaughter in January averaged 175 thousand head per week, up 8.8 per cent from last year and 35.1 per cent above the five-year average for the month.

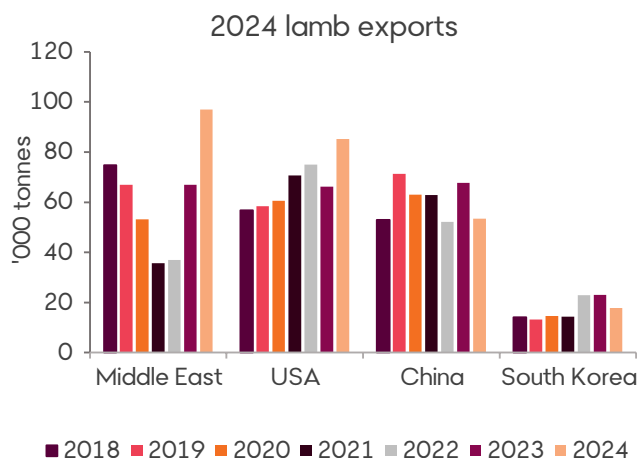
The big question will be how long this high supply environment can continue. When sheep numbers start to dry up, we should see prices of both mutton and lamb supported as processors will have to compete harder to maintain throughout. Although dry conditions in major sheep producing areas may see turn-off remain elevated in the near term.

What is happening with Australian sheepmeat exports?

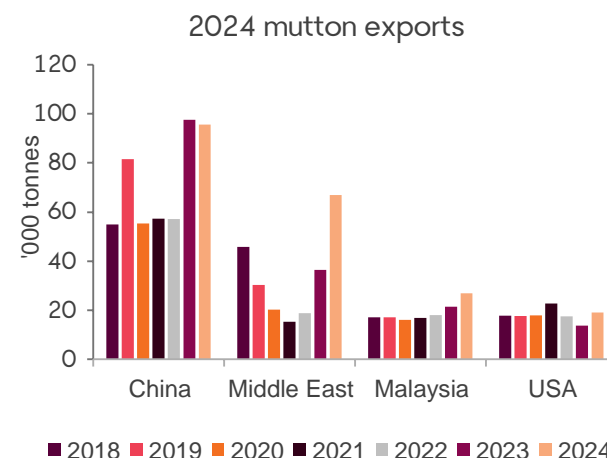
Australia saw record lamb and mutton exports in 2024, with the growth being driven by an increase in processing rates and improved demand from the US and the Middle East.

Lamb exports in 2024 totalled 359 thousand tonnes, up 33.3 thousand tonnes (+10.2 per cent) year-on-year and 26.5 per cent above the five-year average. The big growth stories for lamb exports were the US and Iran, with the US jumping back above China as the largest destination for Australian lamb. While exports to Iran have jumped from no exports in 2022 to being Australia's fourth largest market by volume in 2024. Mutton exports climbed 21.7 per cent to 255.1 thousand tonnes in 2024, which is 56 per cent higher than the five-year average.

Lamb exports have eased slightly to start 2025, down four per cent compared to January last year. But exports in the first half of 2025 are expected to remain strong, with a supply likely to remain elevated in the near term, albeit not as strong as H1 2024. A key factor to watch will be any trade policy announcements from the US, these could see a positive impact should the US tariff red meat imports from competitors, or a negative should Australia become the target of the US tariffs. There are also concerns that a trade war could slow the Chinese economy which is another major market for Australian sheepmeat.



Source: DAFF





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