Sheepmeat Importing Countries

Focusing on China and MENA region

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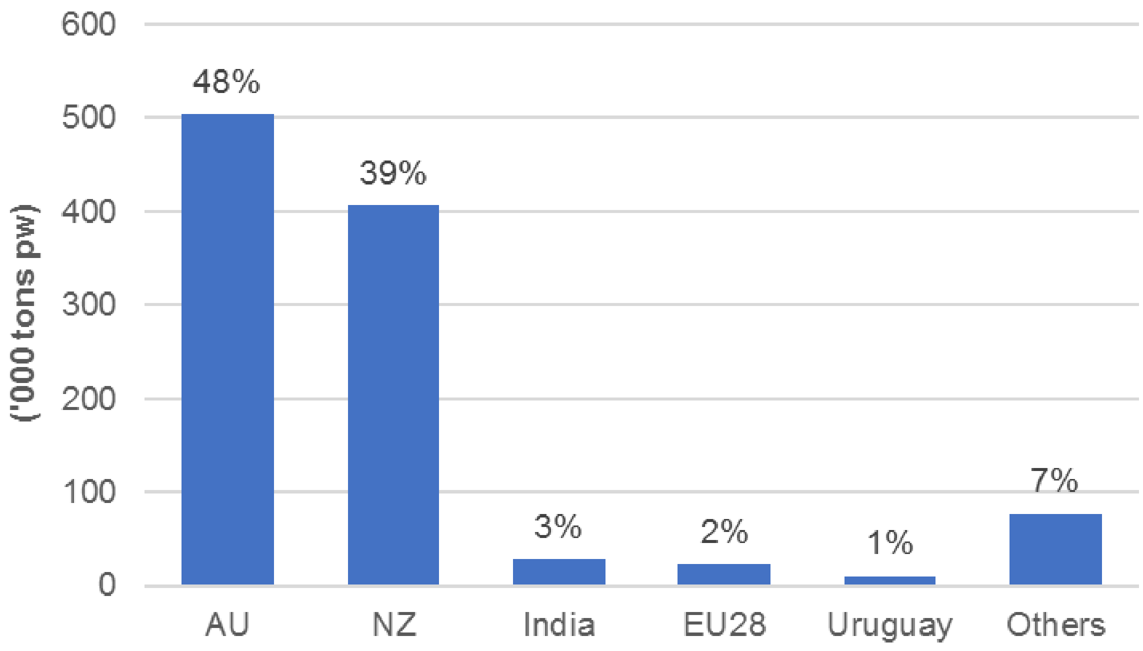
European Commission - Forecast Working Group – Sheep and Goat Meat

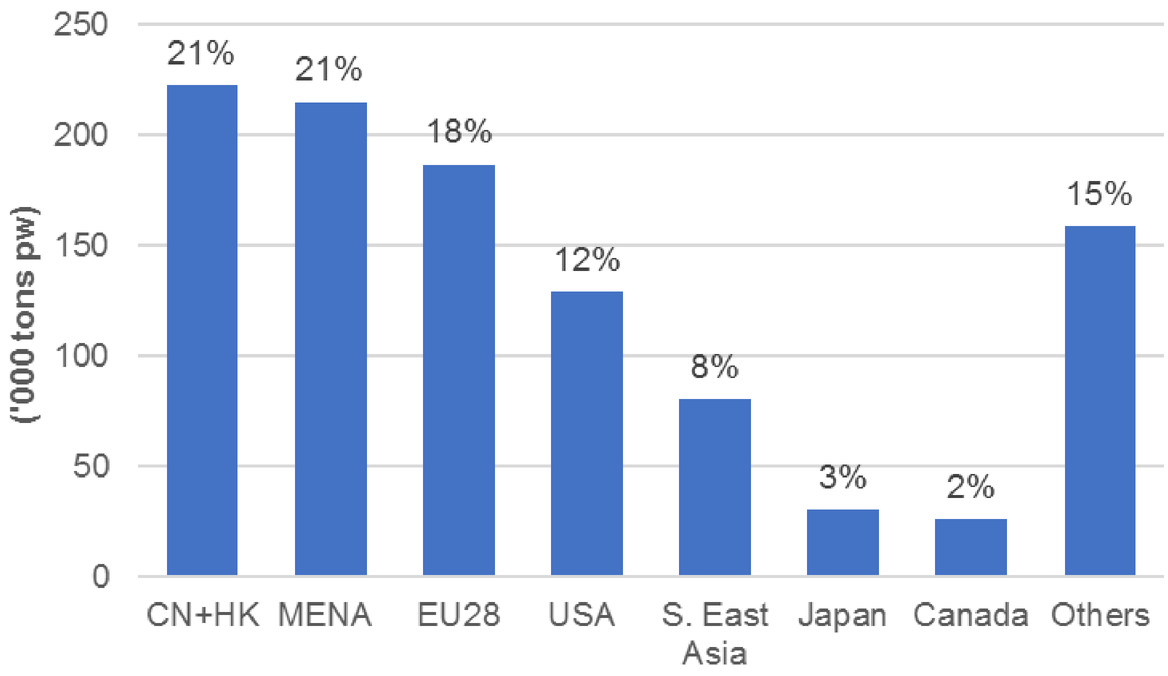
Sheep and Goat Meat Trade

Main Exporters of Sheep and Goat Meat, 2016



Source: Gira compilation

Main Importers of Sheep and Goat Meat, 2016



Source: Gira compilation

The Sheepmeat Cycle in China

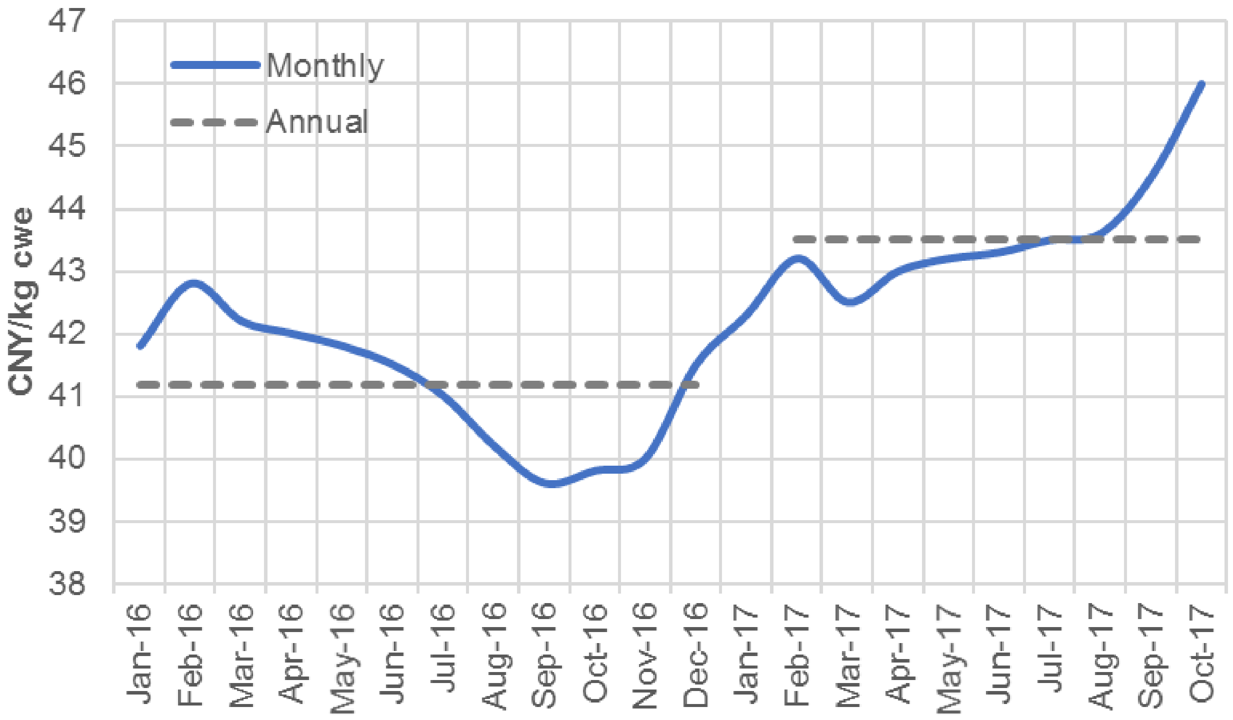
A classic supply and demand cycle hits the sheepmeat market

- **1. Down: 2007-2010**
  - The government instituted **flock limits of 2 ewes per hectare** in the Inner Mongolian grasslands and elsewhere.
  - Both **flock and production shrank** from 2007 to 2009 because of overgrazing in pastoral areas.
  - **While demand was booming** with the development of hot pot restaurants in urban areas.
- **2. Up Up and Away: 2011-2014**
  - **Prices and margins soared** through 2014, attracting both sophisticated domestic investment and opportunistic small farmers.
  - The booming market pulled in **a flood of imports** from Australia and New Zealand.
  - The high prices also attracted all sorts of scams.
- **3. Down: 2015-2016**
  - **Demand growth slowed**; consumers began to resist the very high prices. **Prices began to sink** in 2015.
  - **Imports sank.** Due to devaluation, the fall was even higher in USD terms, making imports much less competitive.
  - **Slaughterings rose** as big farmers culled ewes and small farmers dropped out of the business.
- **4. Up Again?: Late 2016-?**
  - Production cuts reduced **supply below demand**.
  - **Prices began to tick upward** again in late 2016.
  - The current structure of the sheep market, which is still open to opportunistic small growers, means there is still a **potential for volatility**.

Wholesale Prices

Recent surge in prices

Chinese Wholesale Prices – Whole Sheep Carcass, 2016-17



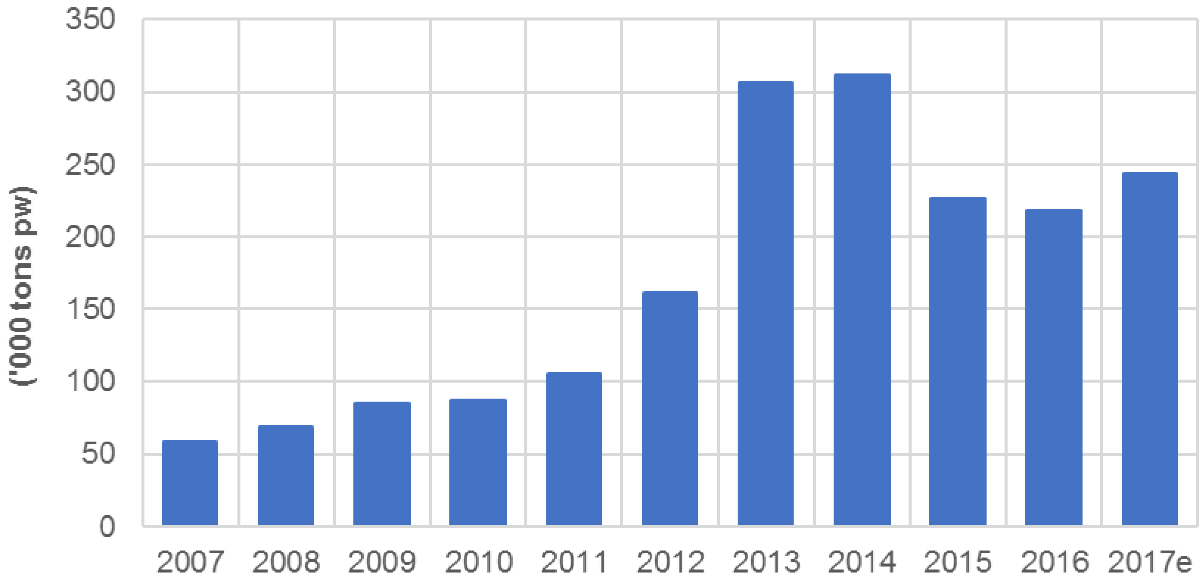
Source: Gira compilation

- In October 2017, prices were 15% higher than a year ago.

Chinese Sheep and Goat Meat Imports

Huge volatility

Chinese Sheep and Goat Meat Imports, 2007-2017e

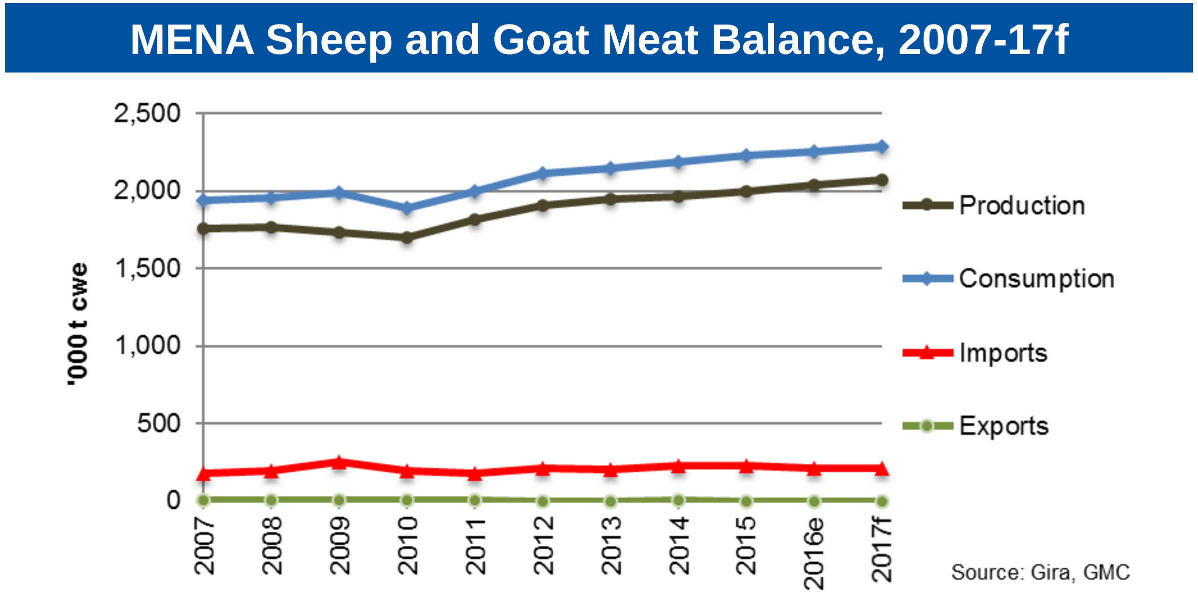


Source: Gira based on TradeMap

- **Grey Channel**
  - It became **insignificant for sheepmeat**, with major exporters having agreements with China.
  - Small volume of shipments from EU still travel through Hong Kong.
- **New Zealand and Australia dominate**
  - **New Zealand and Australia are the top suppliers**, accounting for 60% and 34% respectively of total imports.
  - Imports are expected to recover in 2017, after decreasing by 27% in 2015 and 4% in 2016.

MENA Sheep and Goat Meat Balance

Big regional market & an important global importer

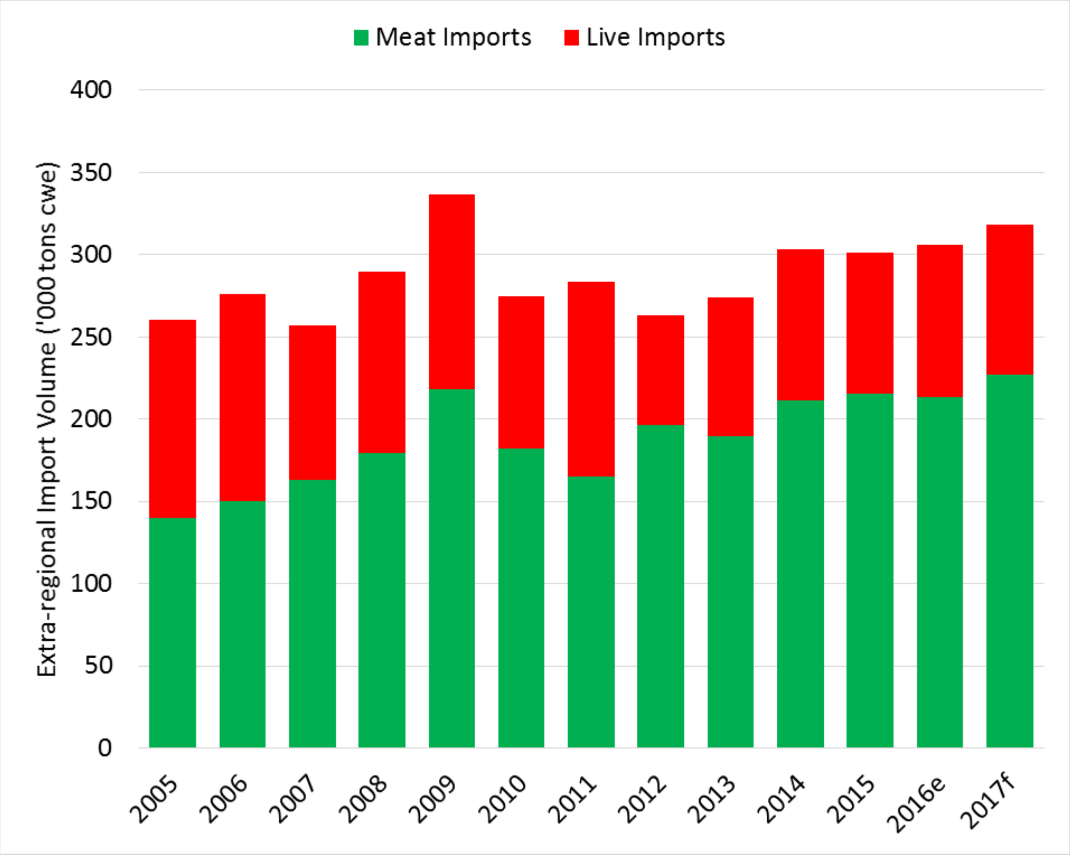


- **Meat imports** account for about 10% of consumption.
- **Live imports** contribute 4% of consumption with their importance, fluctuating from one year to another.
- The region represents 21% of world sheepmeat trade and **94% of live trade**.
- **Consumption trend largely reflects production trend**. The paucity of data makes consumption difficult to estimate, but it is likely to be c. 2.4 million tons (2015-16), with per capita consumption of c. 4.8 kg.
- **Total population** of the MENA region estimated at 500 million head.

MENA SH Import Structure

Generally upward trend in meat imports, but live subject to large shifts in supply

MENA Extra-regional Import Structure, 2005-17f

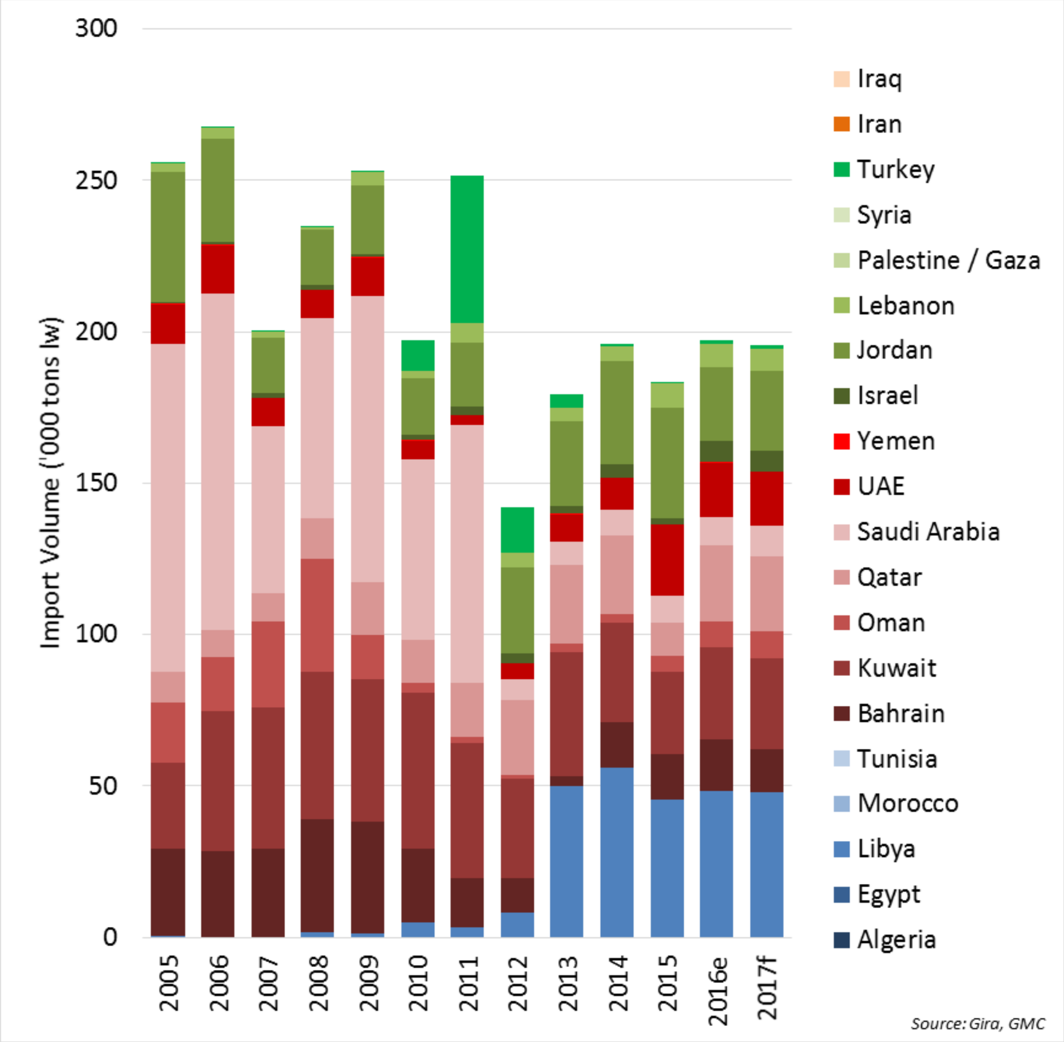


- The **share of live sheep imports has fluctuated** considerably over the last decade, ranging from:
  - 46% (2005) of imports, to 26% (2012), and estimated at 31% in 2016.
- The reduced share of live, and increased share of meat seen in 2012, is a direct result of **Australia ceasing live supply to a number of markets**, following new welfare rules.
- Increased live imports in 2016 have been accompanied by lower meat imports.
- 2017e: tighter supplies are expected to lead to **a small downturn in both meat and live imports**.
- Beyond 2017, import growth is expected **to be focussed on meat**, with much lower growth in live imports.

Extra-MENA live sheep imports

GCC and Jordan are the major destinations, but changing!

Live Sheep Imports by Country, 2005-17f

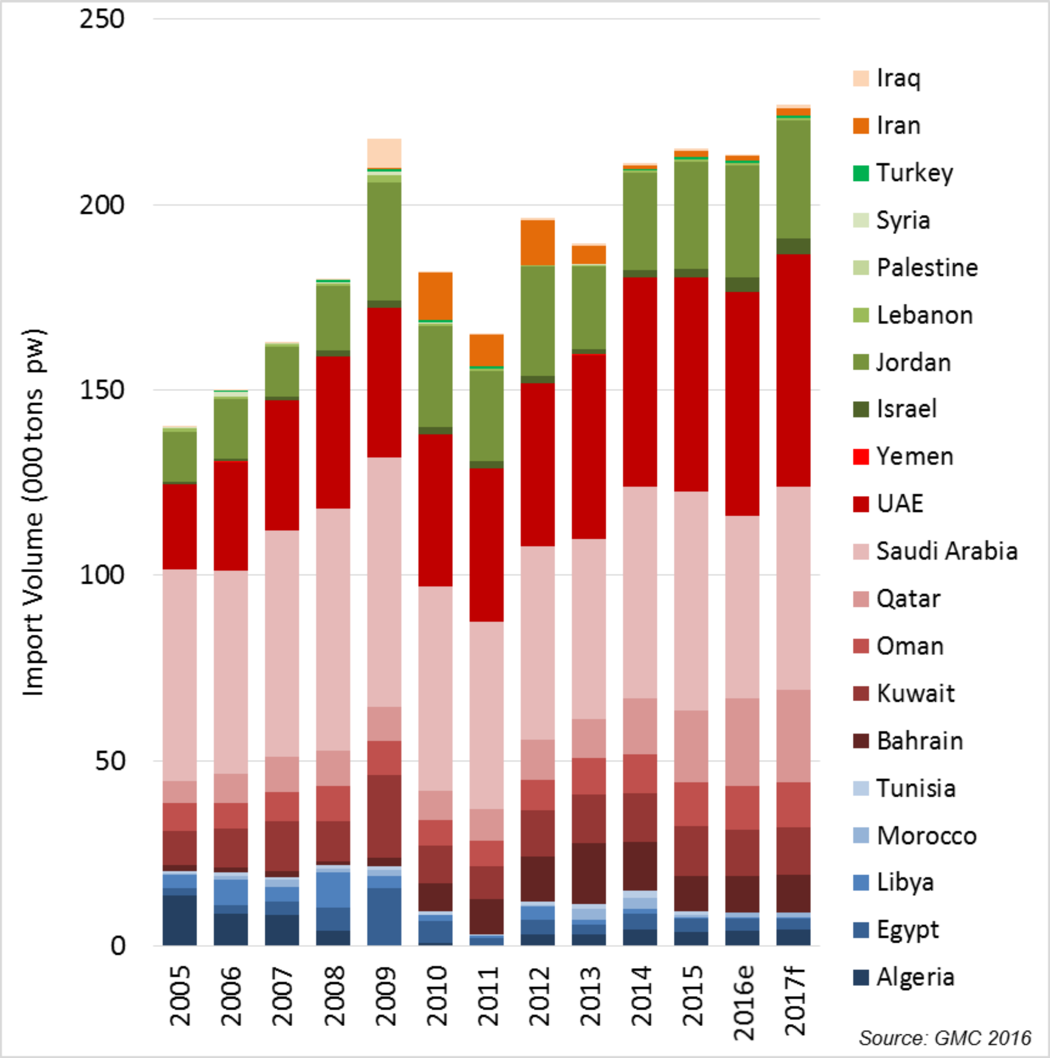


- Long-term downward trend
  - Extra-regional live import volumes between 2005-2015 declined at a CAGR of -3.3%.
- Libya developed as a very substantial market for live sheep from 2013.
- The key live markets of Arabia & Jordan accounted for over 68% of total MENA live imports in 2016.
- Import demand is forecast to remain weak, due to:
  - Australia's Exporter Supply Chain Assurance System (ESCAS) requirements, introduced in July 2011.
  - No shipments have been sent to Saudi Arabia since 2012. Must find other MENA markets.

Extra-MENA sheepmeat import destinations

Arabia and Jordan are the major destinations

Sheepmeat Imports by Country, 2005-17f

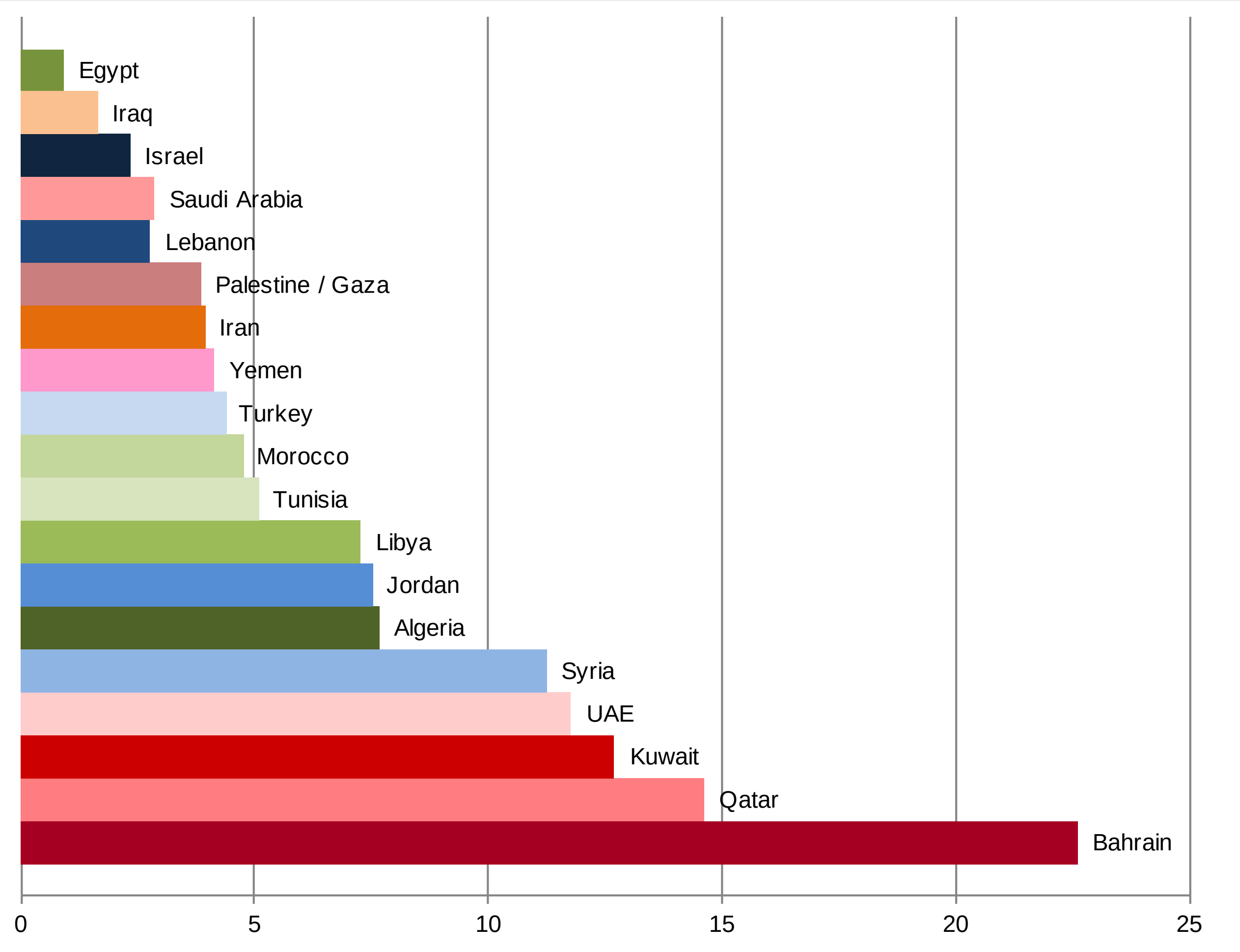


- Long-term upward trend
  - Extra-regional imports grew at a CAGR of 4.4%.
- Following the introduction by Australia of improved welfare requirements, MENA markets turned to lamb carcases:
  - Australian lamb carcase exports more than doubled after the introduction of improved welfare requirements.
- Saudi Arabia and UAE are the key importers, representing half of MENA imports (2016).
- Arabia and Jordan, represent 93% of imports.
- Beyond 2017, continuing growth is forecast, driven by buoyant demand in these importing countries.

MENA SH per capita consumption

High per capita consumption in Arabia where meat was subsidised – until recently

Per Capita Consumption by Country, 2016



Source: Gira compilation

Arabia has the highest consumption per capita (7.7 kg/hd)

- Consumption has been distorted by the availability of consumer subsidies for meat consumption.
- Bahrain, where the ending of sheep meat subsidies on October 2015, was expected to cause prices to double but, so far, with little impact on consumption levels.

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THANK YOU