

28 January 2025

## Portfolio Committee No. 4 - Regional NSW

Answers to Supplementary Questions from Members

Hearing: 18 December 2024

## Question

**(1) If oversupply in WA drives prices down nationally even in the short term as stated in evidence, how will NSW farmers be protected?**

In the calendar year 2024, over 1 million sheep and lambs travelled from WA to the eastern states. This is largest yearly total documented over the last few decades. Given these significant numbers it would be reasonable to assume this would negatively impact eastern seaboard sheep prices. However, over the same period, the National Trade Lamb Indicator rose 46 percent (45 percent for NSW), and the National Mutton Indicator rose 102 percent (91 percent for NSW). Similar but larger increases were recorded in South Australia, where most of the sheep and lambs from WA were likely transported. This reinforces NSW DPIRD comments at the inquiry hearing that the phase out will have a minor and short-term impact on NSW sheep prices.

Indicator	Value (c/kg cwt)		Percent Change
	December 2023	December 2024	
NTRI	594.84	866.78	46%
NTRI (NSW)	603.23	876.06	45%
NTRI (SA)	544.80	834.25	53%
NMI	189.61	382.69	102%
NMI (NSW)	203.85	388.59	91%
NMI (SA)	177.80	343.17	93%

Source: Meat & Livestock Australia 2025, Australian NLRs Livestock Indicators, <https://www.mla.com.au/prices-markets/statistics/nlrs-indicators/>

By comparison the annual average sheep numbers processed in eastern states each year is 32 million and WA sheep live exports by sea was 488,492 head in 2023-24. NSW DPIRD considers that lamb and sheep markets will be able to handle any additional volumes that come to the eastern states as a result of the live sheep export ban without having a material impact on prices.

**(2) How will smaller producers who rely on stable markets be supported if this occurs in the short term?**

**Answer:**

It is not expected that NSW sheep producers (small and large) will be materially impacted by the phase out.

**(3) What's the department's view on how the phase-out will affect farmgate competition for sheep?**

**Answer:**

NSW DPIRD does not expect that the phase out will materially affect farmgate competition for sheep in NSW. On the contrary, it is expected that in future, post drought restocking demand will increase competition for NSW sheep.

**(4) Will fewer market options for WA sheep indirectly affect NSW farmers by limiting price benchmarks?**

**Answer:**

Australian lamb and mutton markets are primarily export-driven and prices largely determined by export demand for our red meat. This is unsurprising given that Australia exports approximately 66 percent of sheep production. The completion of a range of Free Trade Agreements with key export destinations such as the US and China has helped secure increased export demand for red meat over time. The eastern seaboard has ongoing price premiums for sheep compared to WA reflecting this higher demand and increased competition for sheep from producers and processors. The ongoing shift to processed lamb and mutton in WA is not expected to affect this.

As stated during the hearing, even if ALL sheep exported live by WA during 2023-24 were transported east, this would represent only 1.6% of Eastern States annual turnoff.

**(5) In your evidence you mentioned working with processors, given that industry within the last two years has been impacted by a supply glut and processing bottleneck, what strategies have you considered to alleviate this glut and bottleneck increasing in the short term?**

**Answer:**

The Commonwealth government has announced a \$139.7m transition package to support the WA industry with the phase out of live sheep exports by sea. The package includes \$97.3m for the supply chain to capitalise on existing and emerging opportunities as well as for processors to expand capacity. This will help prevent processing bottlenecks.

The Australian sheep industry, much like other agriculture sectors, is characterised by periods of higher and lower supply governed by Australia's variable seasonal conditions. This impacts farm gate prices along with producer and processing margins. Generally speaking, higher supply leads to reduced farmgate prices and lower margins for producers (and conversely higher margins for processors) whilst lower supply leads to higher farmgate prices and higher margins for producers (and lower margins for processors). Given periods of higher supply result in higher processor margins, there is a financial incentive for processors to increase shifts and hence slaughter numbers, which helps alleviate bottlenecks. This has occurred since the worst bottleneck period in October 2023 when labour was a constraint, shipping was costly, inventories were stockpiled in various markets, and overseas ports proved challenging due to geopolitical tensions. Feedback from processors is that supply is beginning to contract and that processing capacity is currently sufficient to meet supply needs.

**(6) NSW Farmers in their evidence spoke about the inability to get a hook price during this period, stating that this indicated market failure? What is the departments view on this statement and what steps are you taking to ensure farmers have reasonable certainty in determining hook prices?**

**Answer:**

Current sheep prices indicate that competition is strong at present. Sheep can be purchased by processors via Over the Hooks (OTH), on farm (eg Auctions Plus), forward contracts or via saleyards. Processor consultation has indicated that during periods of high supply, processors at times may not offer OTH prices as sheep supply is not a limiting factor compared to demand. This however does not mean per se that processors are not securing sheep via other purchase options or that there is a lack of competition.

If NSW Farmers' believes that there is market failure or the market is not operating competitively or transparently, it is recommended that they pursue this with the ACCC.

**(7) Has the department evaluated the long-term trade implications for Australia's sheep industry if we lose other major markets in the Middle East as retaliation for this ban?**

**Answer:**

Whilst this is a matter for the Commonwealth Government, the data suggests that the Middle East will continue to be a strong market for sheep meat into the future.

The history of live exports illustrates its important role in helping markets transition from fresh meat delivered by live exports to chilled and frozen processed meat over time.

As stated at the inquiry hearing, the transition away from live sheep exports by sea to processed sheep meat has been occurring for decades.

Australia is the worlds largest exporter of sheep meat by volume and value. Australian sheep meat exports have increased by 17.2% in the last 10 years with record exports in 2024. Global demand for sheep meat, and by correlation Australia's sheep meat exports, has been trending upwards and is expected to continue on that same trajectory.

Specific to the Middle East, Australia has been a key supplier of sheep meat to the market for over 50 years. Demand from the Middle East for both lamb and mutton has increased over the last 10 years to become Australia's largest regional export destination for sheep meat by volume, with this expected to continue. Specifically, the volume Australian sheepmeat exports to the Middle East increased by 46% over the decade to 2023-24 whilst live export sheep exports declined by 75%. By value, Australian lamb and mutton exports to the Middle East over this period increased by 107% while live sheep exports to the region fell by 77% over the same period.

The Middle East was the major growth market for Australian sheep meat exports in 2023-24. Total export value increased by \$467.5 million (64 percent) to \$1.2 billion. Growth in the region was driven by increases in Australian sheep meat exports to Iran, Saudi Arabia and the UAE. The Middle East's demand for sheep meat is projected to rise by approximately 2.3% from 2023 to 2027, spurred by population growth, tourism, and post-pandemic recovery.