

Monthly Meat Matters.

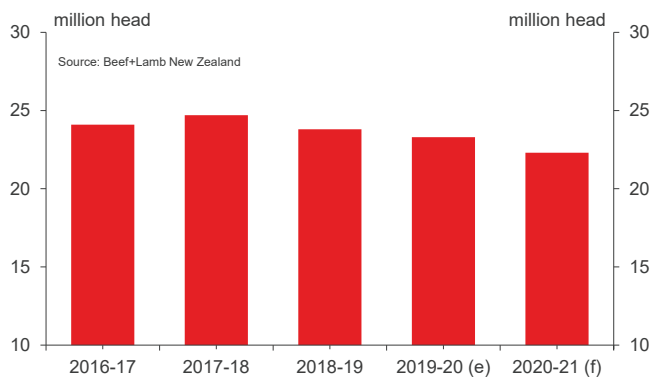
30 October 2020



Spring sprang sparce.

- This spring's lamb crop is well down on last spring's.
- The summer drought is having a lasting impact on lamb production.
- Weak production is giving a boost to farmgate lamb prices, although not by enough to offset demand weakness due to the Covid recession.

Lamb crop



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This spring's lamb crop is well down on last spring's. Beef+Lamb New Zealand estimate that 22.3 million lambs were tailed this spring, 1 million (4.2%) less than last spring.

With farmers rebuilding flocks after this year's drought and retaining some stock, the number of lambs slaughtered is likely to be even weaker. Beef+Lamb New Zealand estimate that slaughter will be down 6.8% on last season.

Said summer drought is of course the driver of these falls. Beef+Lamb New Zealand states "the widespread drought ... resulted in lower ewe condition at mating, tighter feed supply while in lamb and the adverse conditions resulting in an increase in animal health issues." As a result, the nationwide lambing percentage dropped an estimated 6 percentage points to 132%.

Meanwhile in Australia, lamb production is likely to remain low, albeit up a touch on last season. The Australian Department of Agriculture estimates a 3.1% lift in production this season compared to last season, although that is still 5.4% down on the season prior. Recall that Australian farmers have battled a combination of bushfires and drought over recent seasons.

On the whole, New Zealand and Australian lamb production and exports are likely to remain tight this season, giving a boost to lamb export prices. While this will not be enough to offset demand weakness due to the Covid recession, we expect export prices will still likely be firmer than they would have otherwise been.



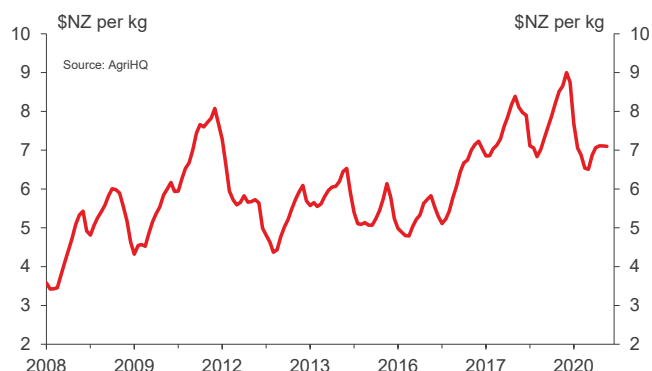
Sector snapshots.

Lamb.

Farmgate lamb prices tracked largely sideways over October. On the one hand, this indicates some demand softness most likely out of Europe and the UK as prices didn't quite kick on to \$7.25/kg as we thought they might. On the other hand, prices have been stable since July at around \$7.10/kg.

Looking over the remainder of the season, we take the glass half full view. Normally, farmgate prices fall around \$1.00/kg from the spring peak to the autumn trough, implying prices of around \$6.10/kg come autumn. We don't think it will quite get that low, mainly as firm Chinese demand is providing a floor for prices.

Farmgate lamb prices

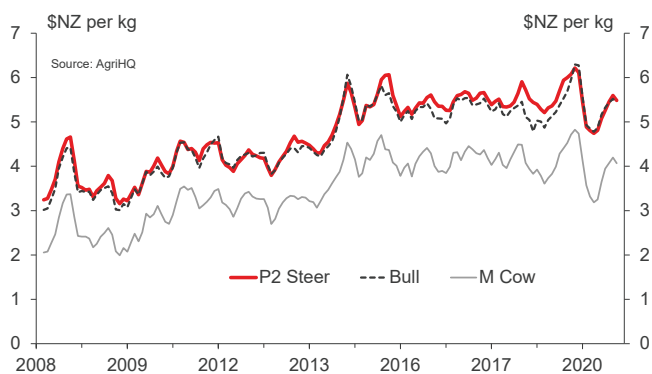


Beef.

Farmgate beef prices dipped across the board over October. At this stage, the falls were modest, ranging between 1.5% and 3.1%.

In contrast to our lamb price view, we are taking a glass half empty view to the beef price outlook. Global supply is firm and signs of price weakness are starting to show. US imported beef prices have turned down over recent weeks. While Chinese demand is still underpinning prices to a degree, we anticipate that prices will drift below the five-year average over coming months. As we mentioned last month, prime beef prices are likely to continue to be under the most pressure.

Farmgate beef prices

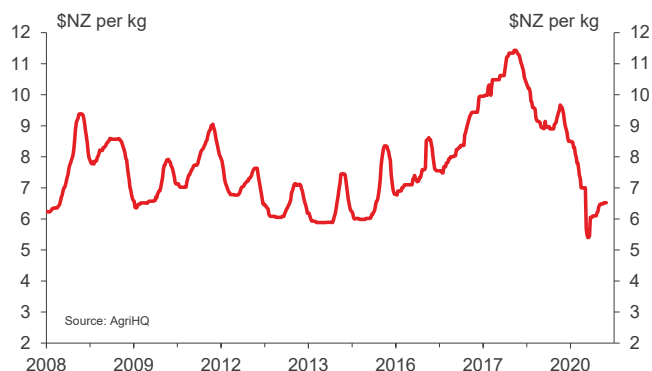


Venison.

Since we last discussed venison back in July, farmgate prices have staged a modest recovery. Per kg prices have lifted 42 cents or around 7%.

Despite the lift, prices still remain very low. For example, prices remain around 30% lower than this time a year ago. Moreover, the outlook remains very weak. As we speak a second wave of Covid is hitting Europe and key venison markets like Germany are re-imposing lockdowns. As a result, we expect the price weakness to continue over the short-term and any material rebound may be as much as six months away.

Farmgate venison prices



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