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New lamb marketing opportunities

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that of the other States. Many people consider that the inflated domestic price of lamb in Western Australia is a major reason for our lower domestic consumption.

Type of lamb produced

The State's major export markets for lamb prefer a light lean lamb such as a first cross Merino or in some cases a pure Merino-type carcase. This, through the pricing policies pursued through acquisition, has resulted in the Western Australian industry producing lighter, lean lamb than the other States, and has greatly reduced the production of second cross lambs, which are the stated preference of major retailers. Carcase weights of Western Australian lambs are well below the rest of Australia.

Interstate imports

In recent years, Western Australia has imported an average of 120,000 carcases a year. Although we import some lamb carcases during autumn and early winter, when local production is low, carcases are still imported during the spring flush.

Major importers cite quality and price as the main reasons for bringing lamb into the State. It costs about 35 cents per kilogram to freight carcase lamb from Victoria to Perth, which equates with the cost of cross subsidisation.
Coupled with this is the opportunity to replace interstate imports of lamb with locally produced product. This could account for another 100,000 local carcases. Without the costs of cross subsidisation, opportunities will exist to export lamb to the Eastern States at certain times of the year. Overseas exports of lamb will probably decline to the level represented by profitable markets. This figure will be determined by demand from importing countries, supplies from other competing exporting countries, and ruling exchange rates. In the past year, demand from overseas buyers has been high and exchange rates low, so the export market was strong. In the long term, though, exports will possibly fall below previous levels unless producers are willing to accept lower prices for some export lamb.

For these changes to happen the right type of lamb needs to be produced. Major retailers prefer a domestic lamb carcase in the weight range of 18 to 22 kg, though some have suggested even heavier carcases will be desirable, and have a fat score of 2 or 3. To produce these types of carcases care will need to be taken in breed selection and feeding regimes. Eastern States farmers are able to turn off regularly carcases meeting these specifications with existing breeds and there is no reason they cannot be produced here. There will still be a demand for lighter lambs for certain domestic markets. Export markets will also require a range of carcase weights.

Producers will also need to pay attention to marketing methods. Selling slaughter stock through saleyards is simple and convenient but it has its pitfalls. Prices can fluctuate widely from day to day and though it may be possible to put a reserve price on the stock, this can be inconvenient and has a cost. Several domestic lamb processors are already offering a weight and fat price schedule and some have expressed definite interest in writing forward contracts with producers for year-round supply.

In addition, the market for live export lambs is strong. During 1992-93 more than 700,000 live lambs were exported from Western Australia for slaughter overseas. Industry sources are confident this demand will continue and offer further alternatives for producers.

The new marketing arrangements should result in overall benefits to the local lamb industry by stimulating the higher priced domestic market and removing reliance from the export market to dispose of excess production.

In its 1992 report the Lindsay Review Committee concluded that while there was no strong evidence that prices paid to producers in the Eastern States differed greatly from those paid in Western Australia, retail prices of lamb were higher in this State.

Production

Western Australian lamb production is concentrated in the spring, when lambs can be marketed straight off pasture at reasonable weights. This concentration is greater than in any other State. Evidence before the Lindsay Committee suggested that this effect had increased as a result of acquisition. The presence of a guaranteed price for lambs during the spring flush under the current marketing arrangements has made it attractive for farmers to produce at this time of year. Such a concentration of production in a few months presents significant marketing problems.

The future

Changes in marketing arrangements for lamb in Western Australia, and the removal of the costs of cross subsidisation on the domestic market, should see a reduction in the retail price of lamb without corresponding reductions in prices to producers. This should stimulate domestic consumption. An increase in domestic consumption of 2.5 kg per head would lift domestic sales by more than 200,000 carcases per year.