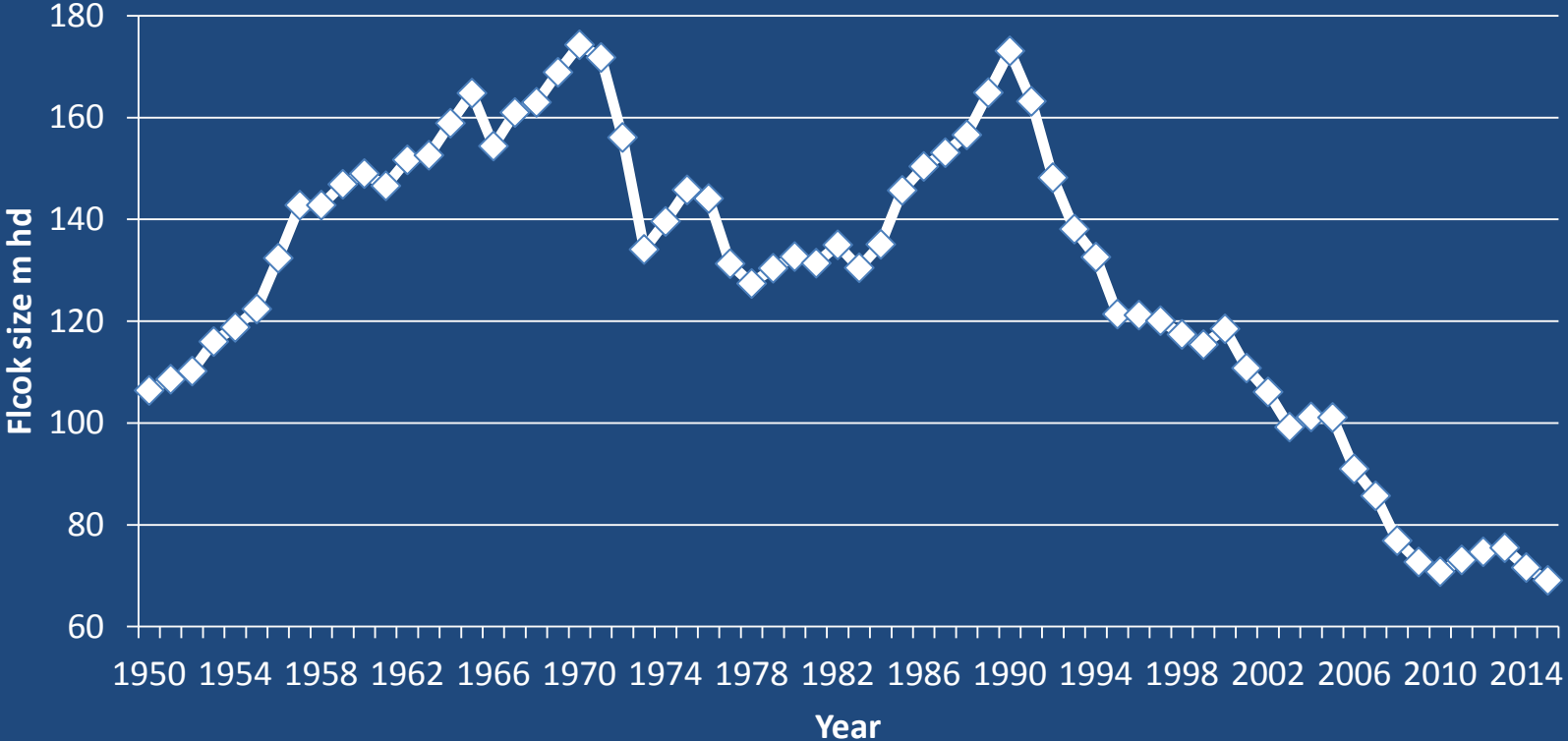


**How many sheep are out there?  
And why should you care.**

# Australian flock size 1950-2015



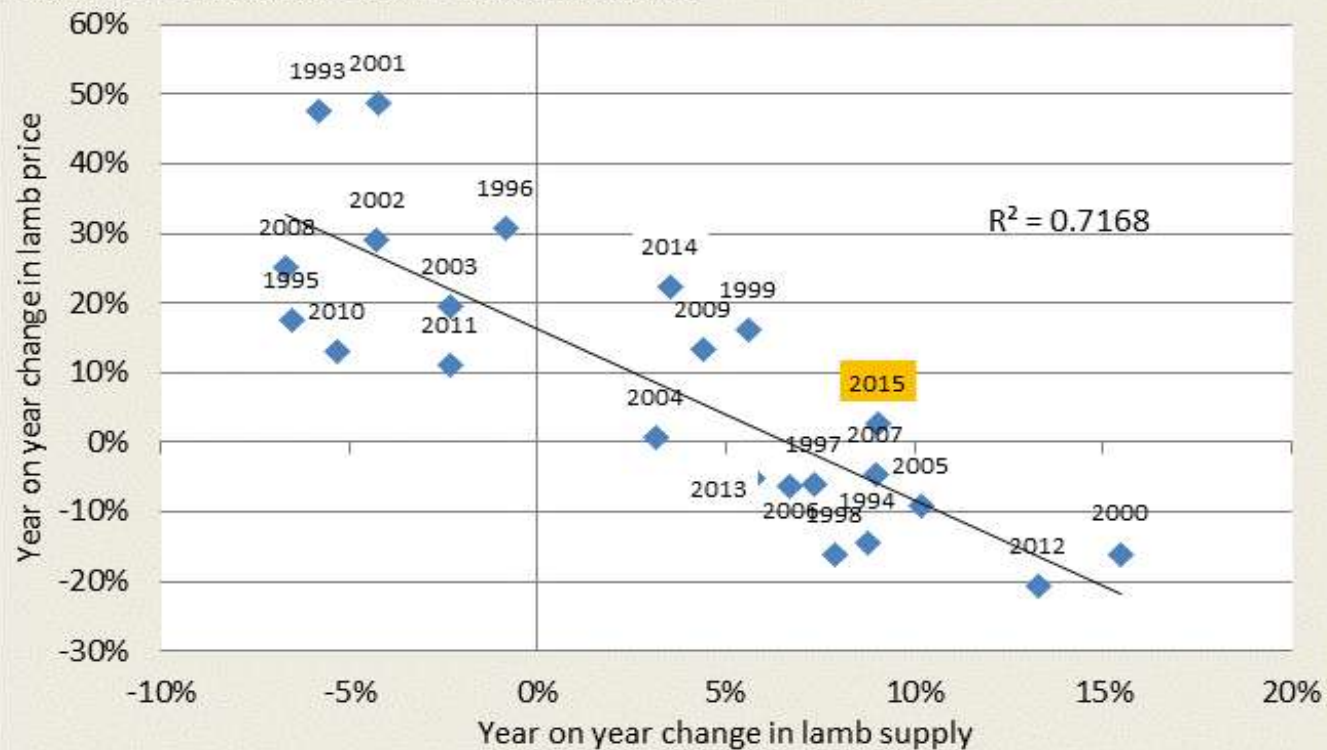
Source: BAE, AWC, AWPFPC

# Flock estimates

Source	2014	2015	2016
ABS	75.50	71.60	
ABARES	72.70	70.70	72.10
AWPFC	75.50	71.60	69.10
MLA	71.63	71.00	71.51

# Lamb supply & price

Figure 2. Change in lamb supply and price

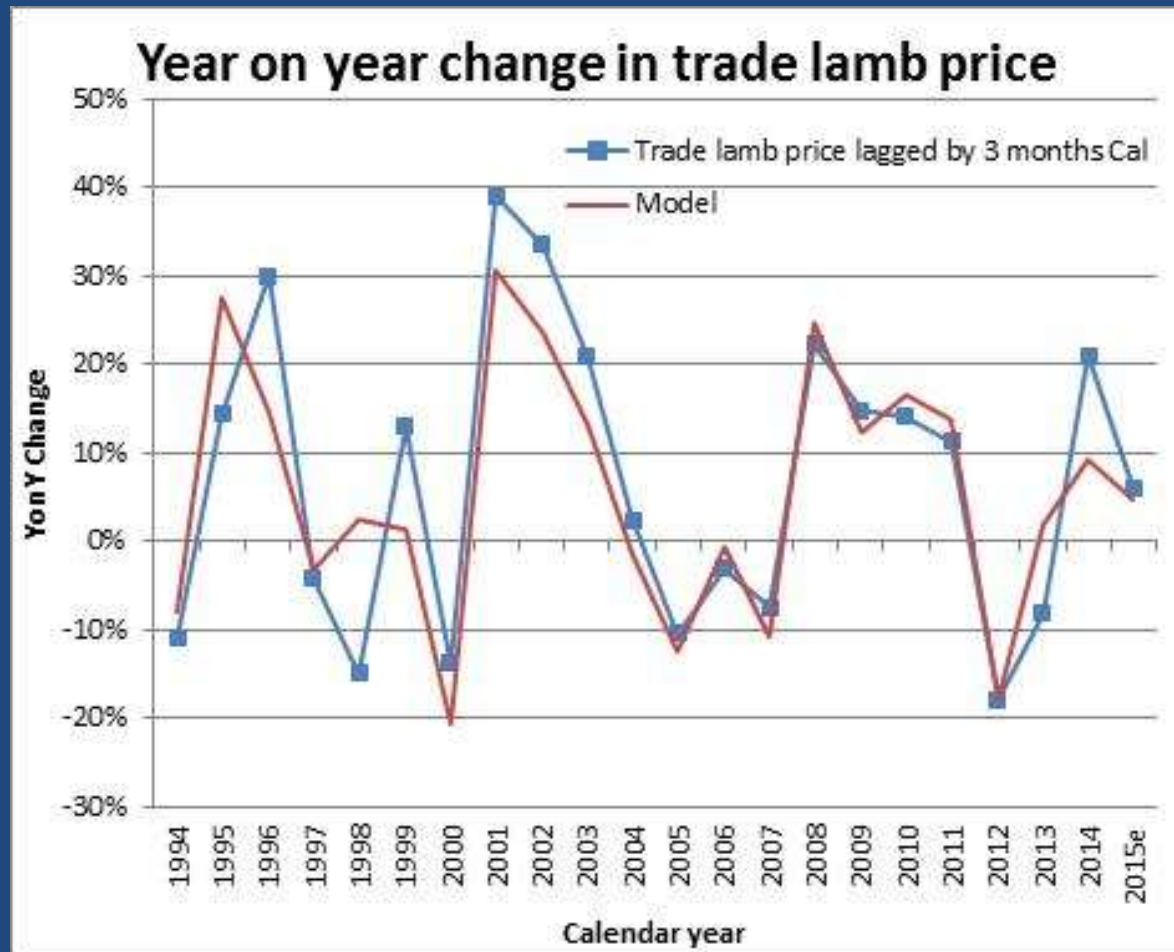


# Lamb offtake



# Trade lamb change in price model

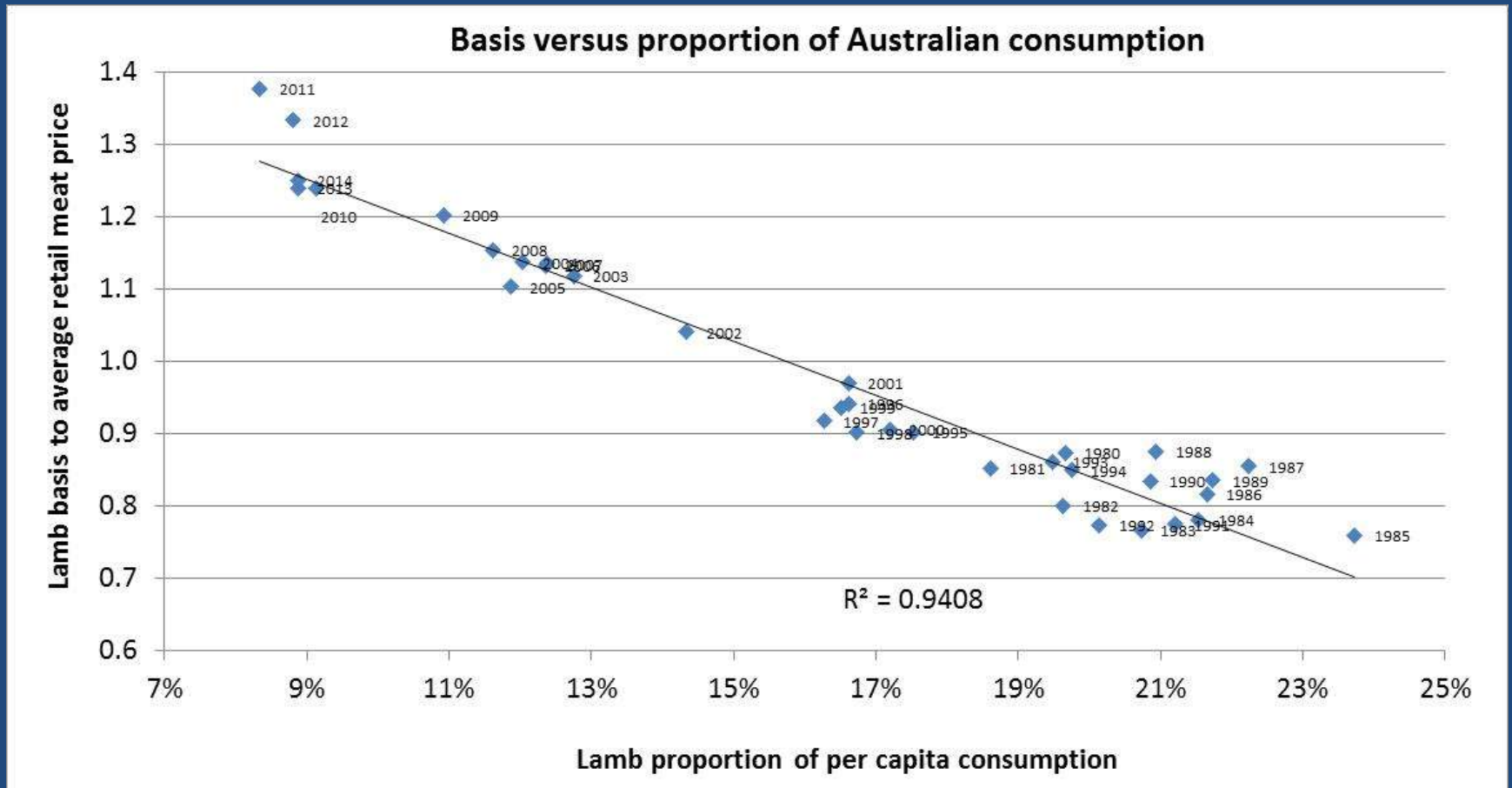
Inputs: Supply & FX



# Lamb price model inputs

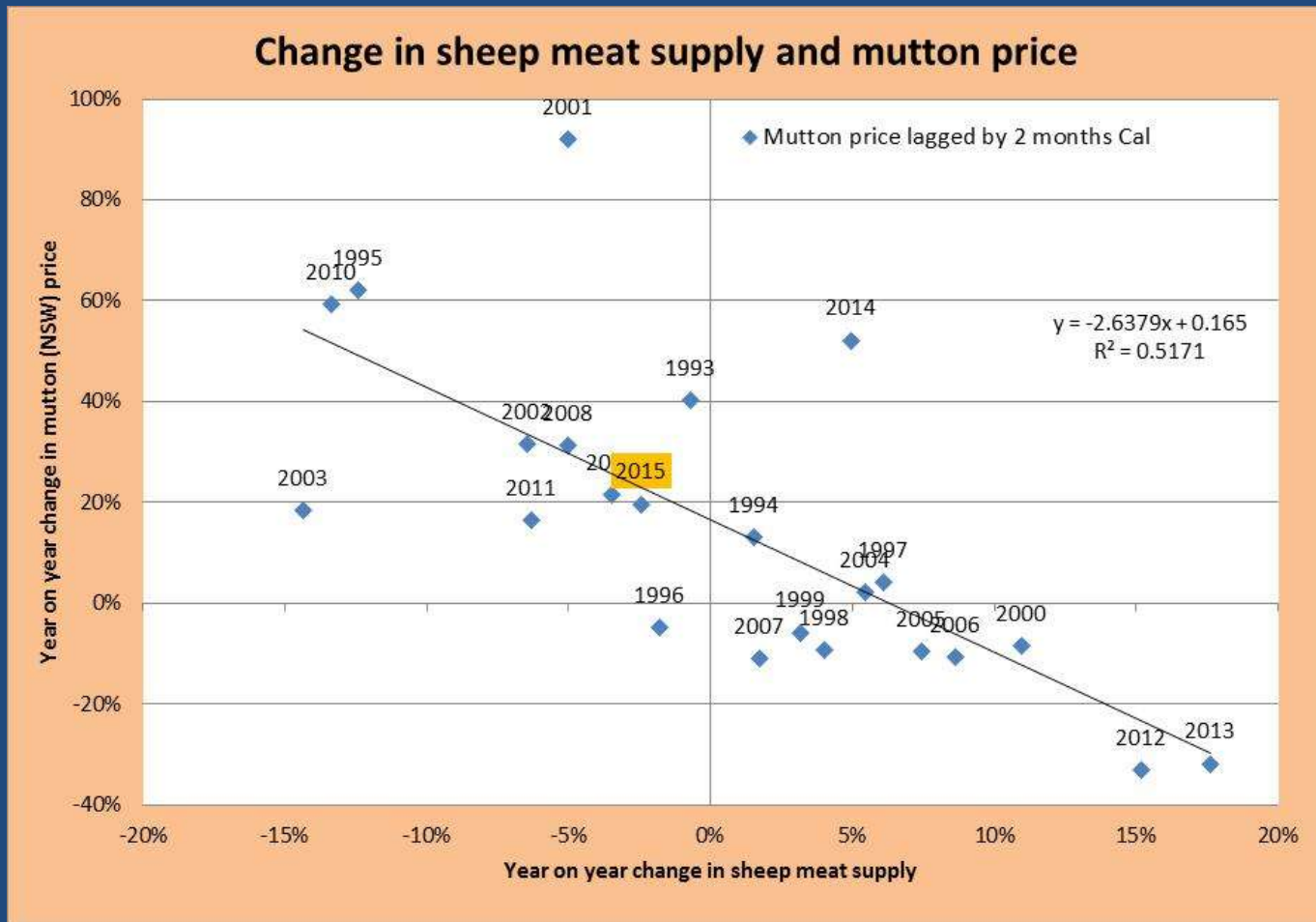
	Y on Y change in lamb supply	Y on Y change in AUD/USD
Change	1%	1%
Effect	-2.4%	-0.4%
Abs Median Change	6%	5%
Absolute Effect	13.6%	2.3%

# Structural changes



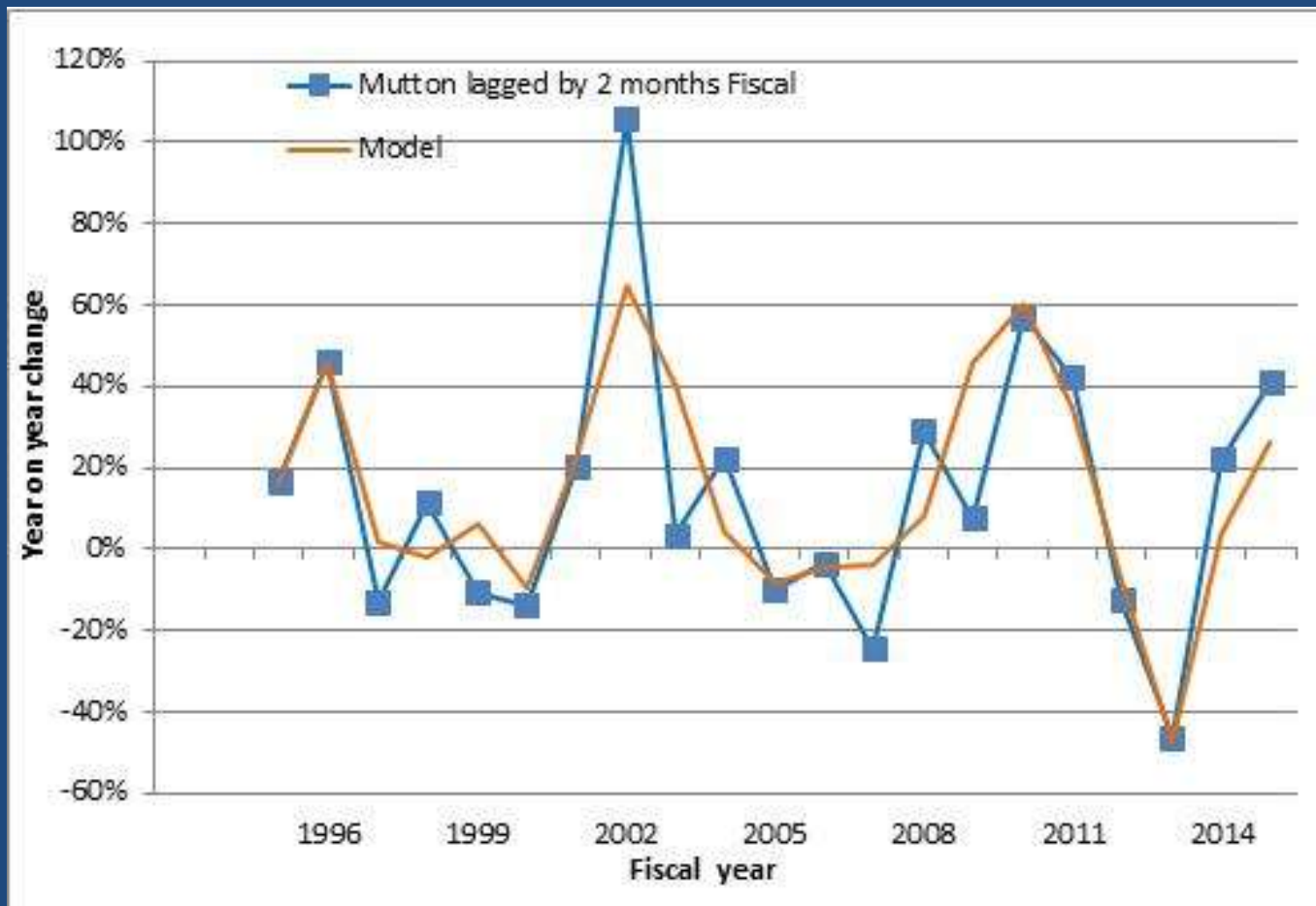


# Mutton price and supply



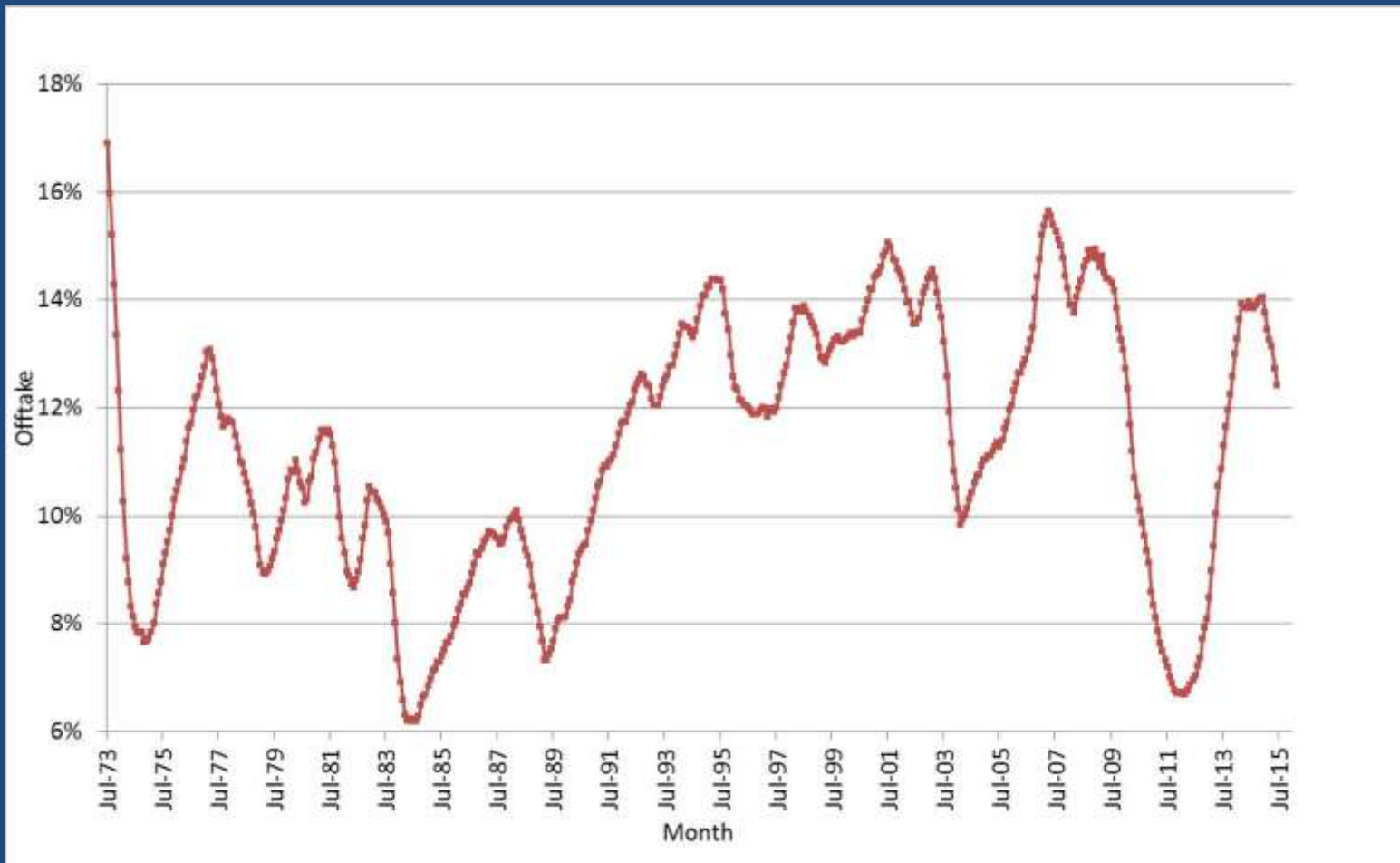
# Change in mutton price model

Shadow store market effect missing

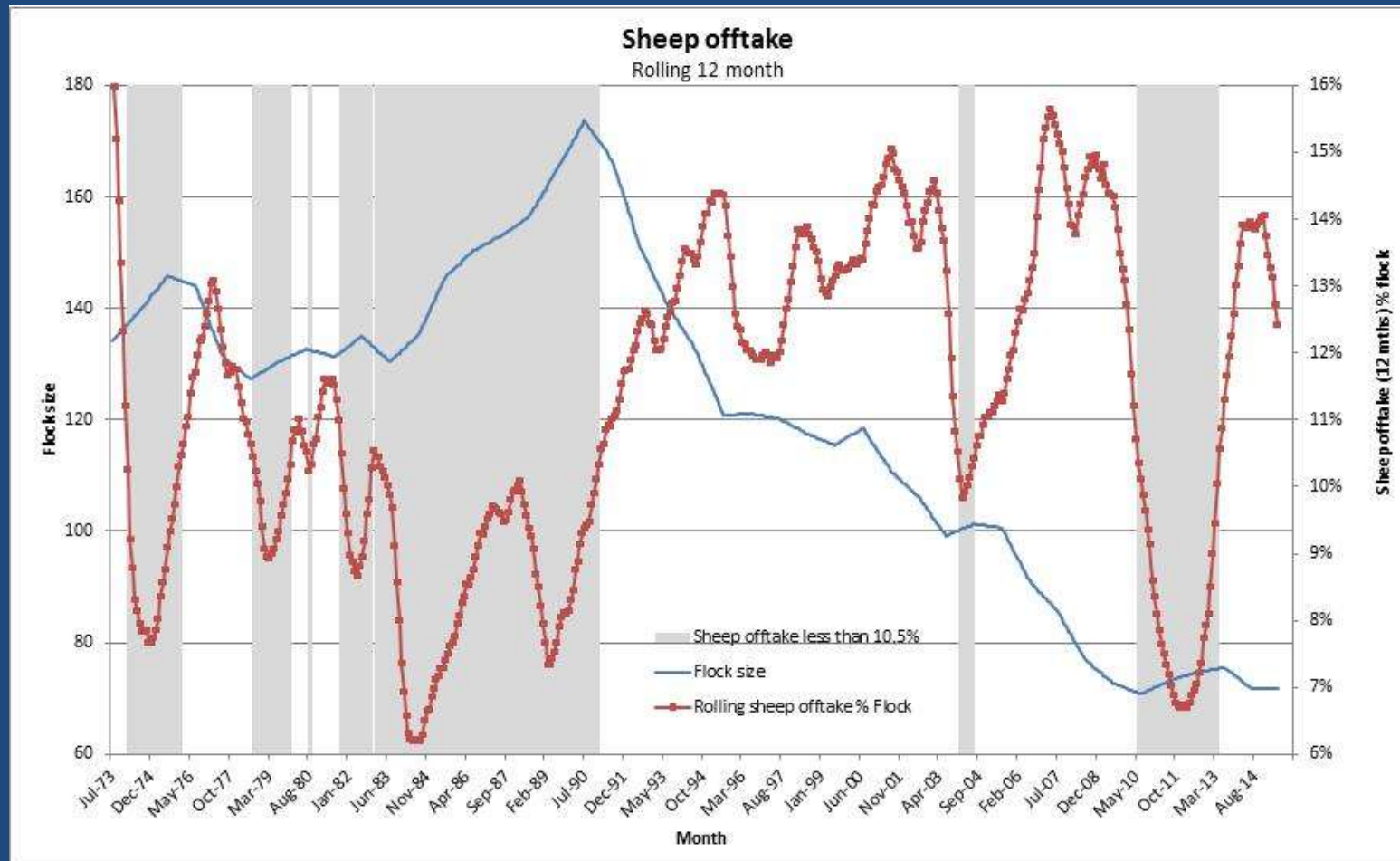


# Sheep offtake

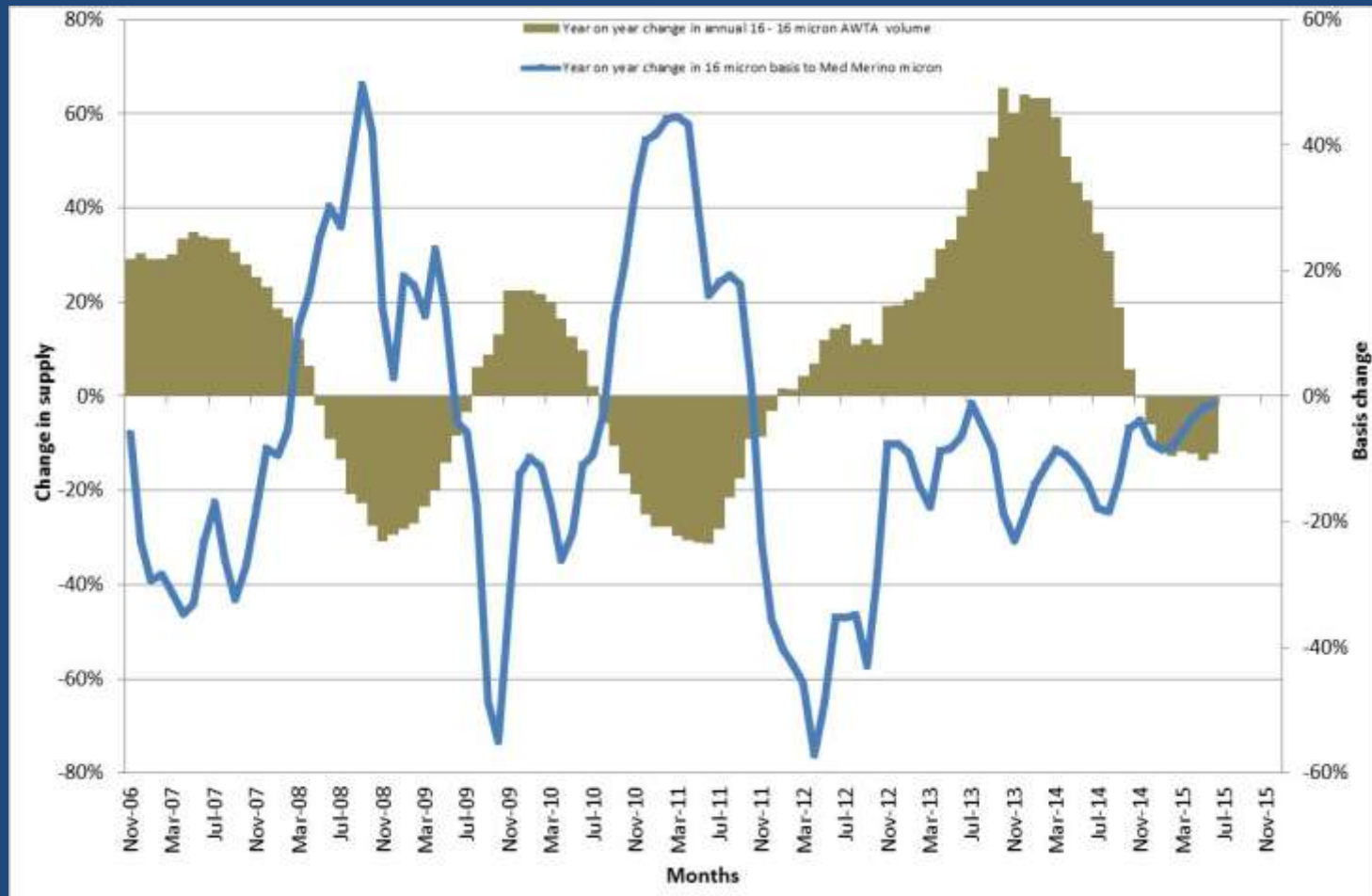
Highly variable



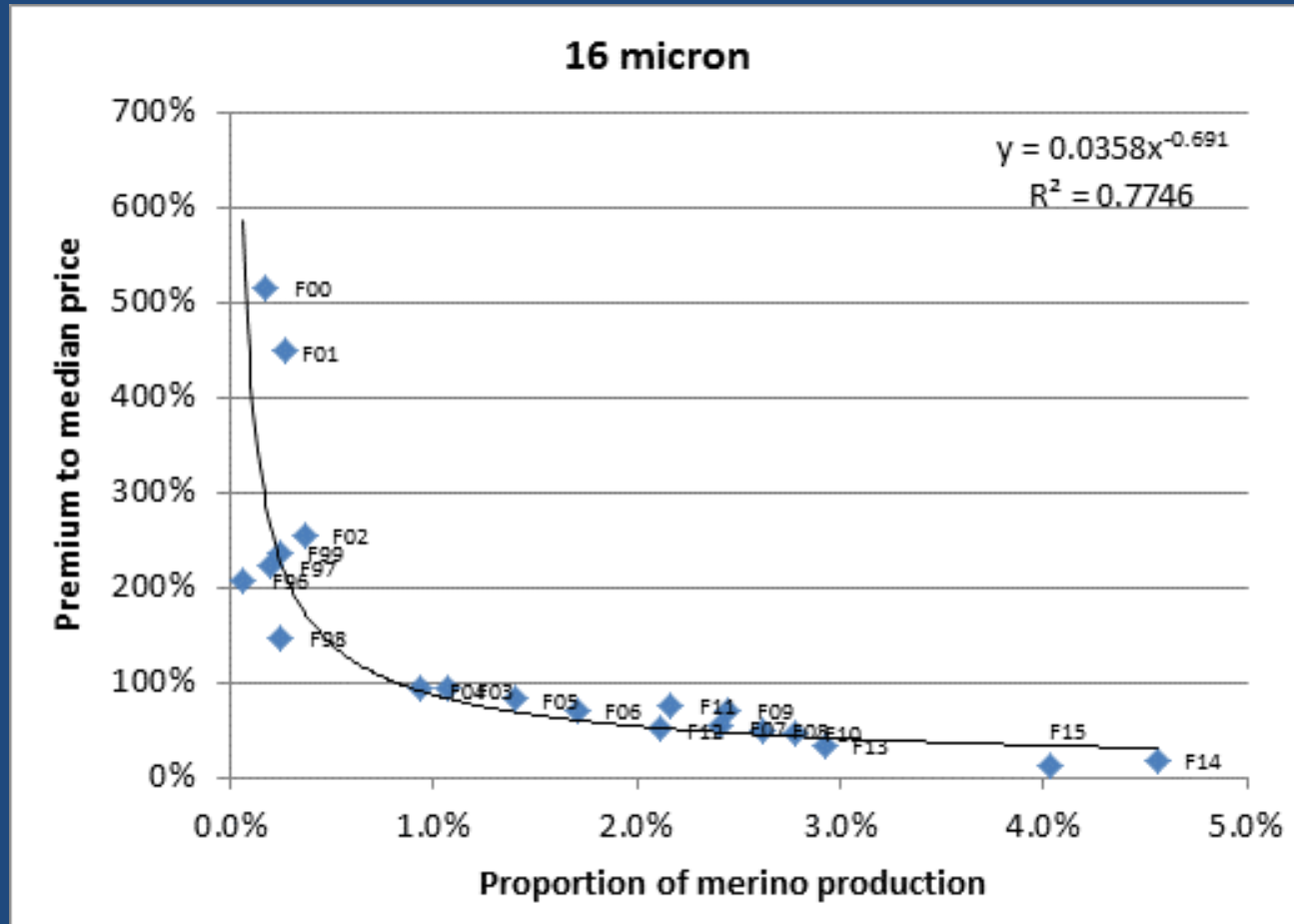
# Sheep offtake & flock size



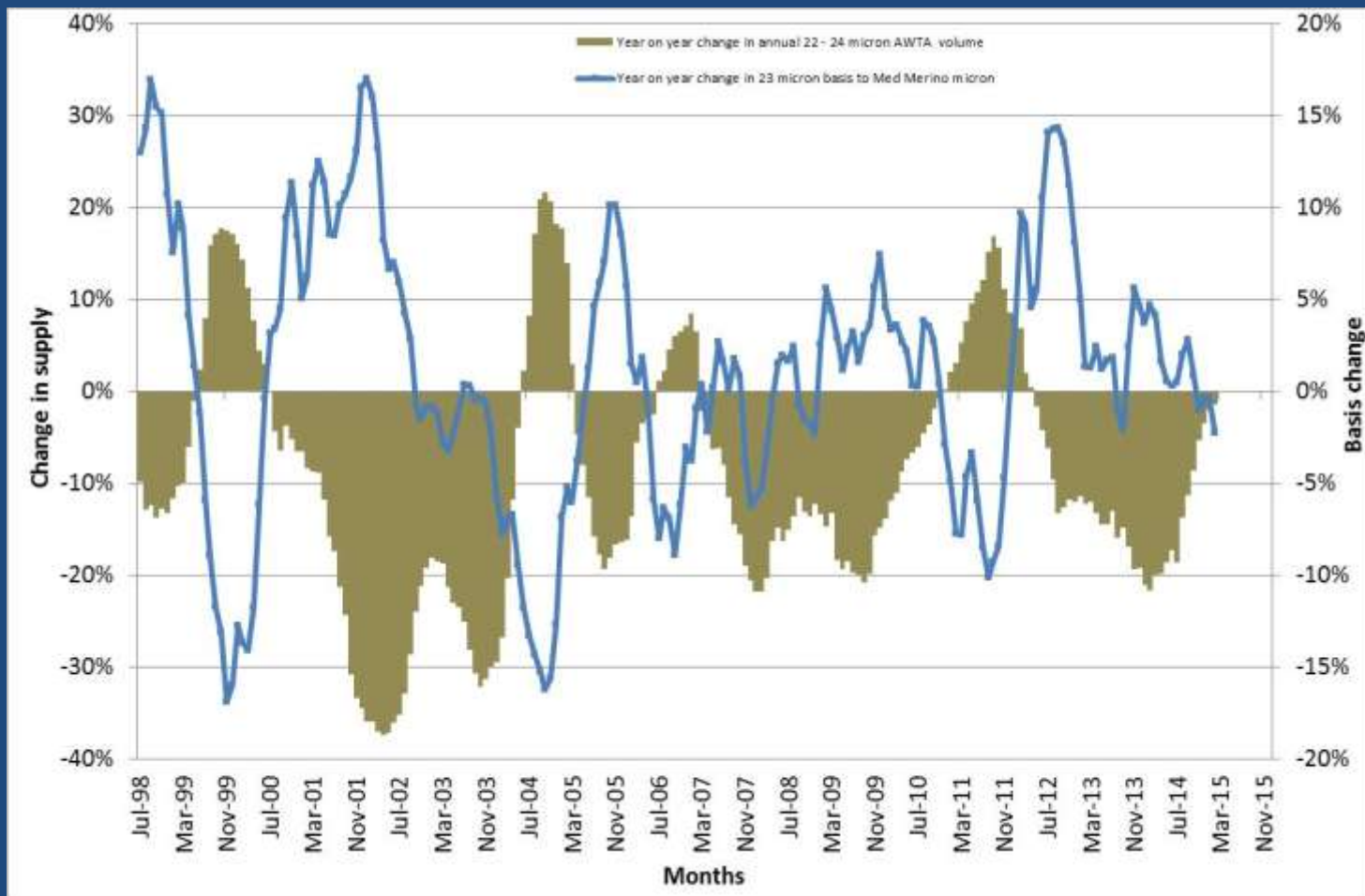
# Fine micron premiums and supply



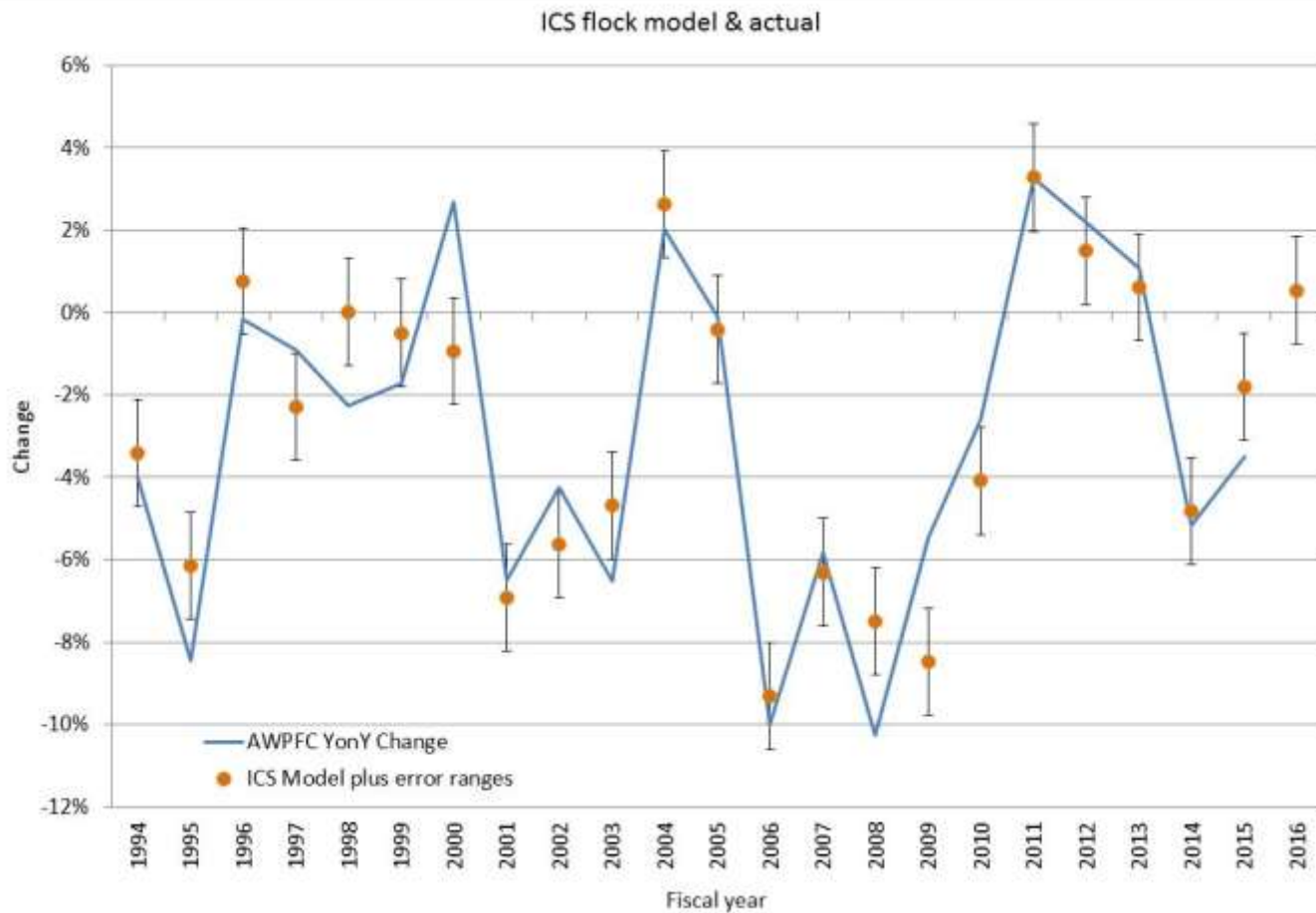
# What about the trend in fine micron premiums?



# Broad merino basis and supply



# Flock size model





# Flock model

## What drives it?

- Wool to wheat price ratio - lagged
- Change in sheep slaughter numbers/LE – lagged
- Dummy variables for OJD/Mulesing issue

# ENSO

<b>Average change in supply</b>	<b>Mutton</b>	<b>Lamb</b>
El Nino	2%	-1%
Neutral	-1%	0%
La Nina	-4%	1%

## Flock size underpins:

*Lamb supply – drives lamb prices*

*Sheep supply – mutton price driven by sheep  
meat supply*

*Wool supply – wool premiums and discounts  
driven largely by supply (fashion is always in the  
background somewhere)*