

CHAPTER 13

THE MARKET FOR SHEEPMEAT IN THE MIDDLE EAST

13.1 The Middle Eastern sheep meat market is not homogeneous. The level of disposable income and consumption of sheep meat in Middle Eastern countries are dependent upon the level of oil revenue and hence vary considerably from country to country. The proportion of expatriates in the host country influences consumer preference for types of sheepmeat and levels of sheepmeat consumed.¹ The 1982 Australian Sheep Meat Study Mission to the Middle East noted that rising incomes and population growth, including substantial immigration, had resulted in 'very substantial' increases in meat consumption.² It also noted that in each country there were different market segments which catered for the differences in consumer taste of the indigenous and expatriate populations.³ This included the indigenous souk or village market, the expatriate market in the labour camps, the foreign tourist and business market in hotels and the like and the Mecca pilgrim market. The market was also segmented in terms of age groups and geography.

13.2 There is evidence that the boundaries of these market segments may be shifting. The 1982 Commission noted chicken production and consumption had increased 'remarkably' over the previous ten years.⁴ Since 1970 poultry consumption has risen from 22 per cent to 40 per cent of the market, while the sheep and goat meat market share has dropped by 30 per cent. It is also reported that, with an increase in beef consumption, the traditional preference for strong-flavoured mutton has waned.⁵ The taste for poultry developed initially with the expatriate labour force and has now shifted to the indigenous population.

With many of the projects now completed and a consequential reduction in the expatriate labour force this has left behind the catalyst for long-term changes in consumer tastes.⁶ The ALEA commented: 'The fast foods industry also has got its foot in the door, further changing eating styles and habits'.⁷

13.3 The Sheepmeat Council of Australia argued that the market for meat is well differentiated in the Middle East; frozen mutton and imported live sheep command different prices. The opportunities for selling carcass mutton in the Middle East are low because of this differentiation or segmentation of the market. Nevertheless, the Sheepmeat Council has a policy of development of a trade in both live sheep exports and carcass meat, frozen or chilled.⁸

The Middle Eastern Concern for a Secure Food Supply

13.4 Dr Al Dukhayyil, General Manager of the SLTT, agreed that the establishment of a secure food supply was 'very important' for Middle Eastern countries.⁹ This was confirmed by both Metro Meats Pty Ltd and Elders IXL Limited.¹⁰ The AMIEU commented that the ruling families in the Middle East were apprehensive about uprisings in their countries such as that which occurred in Iran. The maintenance of a secure food supply was seen as one way of keeping the loyalty of the population to the ruling families.¹¹

13.5 A number of other factors have been cited for this concern for a secure food supply. Population growth continues unabated, with the prospect of a doubling of the population within the next 30 years and has exceeded the rate of growth of the food supply. Food consumption is rising at 12.5 per cent per annum whereas food production was estimated to increase by 3.3 per cent in the 1970s. The Food and Agricultural Organization of the United Nations has estimated that cereal self-sufficiency in

the Middle East will decrease from 80 per cent in 1982 to 69 per cent by 1990. This has created a dependence on cereal imports from various countries including Australia. In most cases Australian exports of live sheep to the Gulf states are overshadowed by exports of grain and, to a lesser extent, other processed primary products, such as dairy foods.

13.6 Middle Eastern countries are concerned that denial of food supplies might be used as a political weapon, especially after the United States grain embargo against the Soviet Union in the late 1970s. They look to Australia as a 'potentially reliable source of food supplies free of political strings'.¹²

13.7 The corollary is that while Australia produces approximately two-thirds of its oil requirements, the Gulf countries supply 80 per cent of the remaining one-third which Australia is required to import. Exports of live sheep to Saudi Arabia in 1981 accounted for \$A45 million in foreign earnings, but Australia imported \$A1032 million in oil and oil products from Saudi Arabia in the same year.

The Demand for Fresh or 'Hot' Meat

13.8 If refrigerated sheepmeat could be substituted for fresh sheepmeat the need for the export of live animals would cease. The reason for this demand for live sheep is given as a consumer preference for fresh or 'hot' meat. The ALEA stated:

'There is no doubt that there is a preference in the Middle East for fresh meat. In fact it is not only fresh meat - it is hot meat. In other words they slaughter the animal in the morning and will eat that at lunch time or at the latest at dinner and this is the way they like their meat. They do not age it like we do. So they want hot meat as opposed even to what we consider as fresh meat.'¹³

13.9 The ALEA argued that the trade developed because not only have commercial interests responded to this consumer preference, but Middle Eastern Governments have also ensured that their population has fresh meat.¹⁴

13.10 However, the AMIEU did not accept that the population had this preference for the taste of freshly killed, hot meat. It stated that it was a 'fairy tale', that it was 'a concoction by the people who currently control the market'.¹⁵ It argued that the price for hot meat is lower than the price for frozen meats because of the application of subsidies to live sheep. 'The product is marketed at a price we could not compete with.'¹⁶

13.11 The AMIEU also argued that they had given credibility to the 'hot meat' notion for many years:

'And so did government agencies here in Australia, but it was admitted to us that everybody has a refrigerator and they admitted that they use refrigeration just the same as us. They do take home meat and refrigerate it. When we were in Saudi Arabia, for example, we were in Saudi Foods, which is a big distribution outlet, and it had a map of Saudi Arabia on the wall. It had spots of varying sizes depicting the size of the cold store. What was explained to us was that the meat was processed in Jiddah or Riyadh, and then it was transferred by road into the hinterland. It was not transferred fresh - it was chilled or frozen. It would have to be to maintain it to the distribution points it was going to.'¹⁷

Dr Al Dukhayyil of SLTT rejected this claim. He said that the Saudi Government had established abattoirs throughout the Kingdom and encouraged the local people to slaughter their animals there.

13.12 The Australian Federation of Islamic Councils (AFIC) stated that the demand for hot meat was not based on any religious principle.¹⁸ However, the Islamic or 'halal' requirements for sheepmeat have their own difficulties. AFIC stated that the sheep for slaughter should be male and entire, healthy, with all limbs intact, complete, and at least nine months old.¹⁹ SLTT commented that, in some quarters Australian sheep are not regarded as fit for sacrificial purposes during the haj because the tail is docked, which is regarded as a deformity.²⁰ However, the AMLC stated that in 1984 the Islamic Council of Saudi Arabia had permitted the use of Australian Sheep for religious ceremonial purposes owing to a shortfall in the supply of sheep from North Africa.²¹ AFIC explained that although Australian sheep did not meet Islamic requirements, they were cheaper than sheep from Romania or Argentina and were free of disease. In addition, AFIC believed that wethers were popular only with the expatriate section of the Middle Eastern population.²²

13.13 There is also the religious requirement that the pilgrimage to Mecca necessitates the slaughter of an animal.²³

13.14 The Committee is aware that influential Muslim leaders in the Middle East were concerned about welfare aspects of the live sheep trade. AFIC commented:

'An awareness is growing about the welfare of the animals during transportation, before they are loaded on to the ships, and after they are unloaded at the other end. This can become a very serious matter in view of the sayings of the Holy Prophet ... These are very serious matters because the Islamic approach is also humane.'²⁴

A little later, AFIC stated:

'We just quote what he (the Prophet) has said on this. He says ... "To be mindful of the comfort of an animal. When you travel during the season when there is grass let your camels avail themselves of this and when you travel during a dry season, hurry up so as to minimise the suffering of thirst and hunger and allay it sooner on reaching the destination." This has connection with the transportation of live animals from Australia.'²⁵

Sheepmeat Subsidies in the Middle East

13.15 The pricing of food supplies is an important policy consideration for Middle Eastern governments. Subsidies and administered price ceilings on food are commonly used in the Middle East. Mr J. Dransfield, a member of the 1982 Sheepmeat Mission to the Middle East commented that:

'We raised the subject of the subsidy and its application, and the inference all the time was that because the people are poorly paid it is better to keep them with a full belly so that they do not rebel. So the meat and other foodstuffs were always within their financial reach.'²⁶

13.16 These subsidies only apply to imported live sheep or airfreighted chilled lamb, not to frozen sheepmeat, with the possible exception of Iran, which does not import live sheep but does engage in a frozen lamb trade with New Zealand. Saudi Arabia has dropped its subsidy on frozen mutton imports.²⁷

13.17 The BAE has commented that subsidies increase demand for live sheep instead of frozen sheepmeat²⁸ and in some countries the fresh meat from imported live sheep is cheaper than refrigerated sheepmeat even though the real cost may be much higher. This may explain different consumption patterns in

some Middle Eastern countries.²⁹ There is a wide range of subsidies that are invoked for the whole range of the importing phase. There is a subsidy on live sheep, carcass, livestock feed, oil bunkers, slaughter and transport.³⁰ The SLTT informed the Committee that the bunker subsidy in Saudi Arabia is being progressively eliminated.

13.18 The subsidies are provided by the massive oil revenues generated in the Middle East but with the downturn in these revenues various subsidies have been reduced or withdrawn.³¹

13.19 The AMIEU claimed that subsidies can be used as barriers to entry to the industry:

'We are locked out of that market. In Kuwait it happens to apply through subsidies. Preference is given to meat from live animals. There is a subsidy paid to the Al Sabahs for the sheep they land.'³²

Preferential shipping regulations are cited as a barrier to entry,³³ and restriction of land ownership is another.³⁴

13.20 Mr Ralph James, the President of the Sheepmeat Council of Australia, commented on his return from the Middle East with the 1982 mission that there were 'a number of local barriers' to increased refrigerated sheepmeat imports. These included price control and subsidy arrangements 'which favour live sheep exports' and regulations which prohibited the using of frozen meat or required chilled meat to be sold at the same price as frozen meat.³⁵

The Iranian Example of a Shift in Consumption Patterns

13.21 In 1983 Iran imported 93 000 tonnes of New Zealand meat. This had displaced the previous annual supply from Australia of approximately 2.4 million live sheep.³⁶ In 1985 it was reported that Iran had bought 132 000 tonnes of New Zealand frozen lamb worth approximately \$US150 million in a barter deal for approximately six million barrels of Iranian oil.³⁷

13.22 It has been argued that the example of Iran demonstrated that demand for 'hot' meat is managed demand, that it is not a product of consumer preference. The AMLC responded that this indicated a high rate of substitution between fresh meat and frozen or chilled meat.³⁸ However:

'This has been imposed on the people by the government through the Iranian meat organization, which has total control through the GTC, of imports.'³⁹

13.23 Various reasons have been proffered for the Iranian decision. It has been suggested that live sheep imports had been terminated in order to ensure the purity of the national flock⁴⁰ but this was rejected by the AMLC.⁴¹

13.24 It was also suggested that the decision was made because of the closure of loading ports, the shortage of foreign exchange and the purchase of military supplies for the Iran-Iraq war. The ALEA regarded it as a 'totally economic' decision made because of lack of funds as a result of the war with Iraq.⁴² The BAE regarded it as a 'very conscious' decision to purchase the cheaper product, that is, frozen lamb, because of their 'very severe economic plight'.⁴³ The AMLC believed that problems with handling facilities was a contributing factor. Bandar Abbas did not have the facilities which the main port of Bandar Khomeini used to have prior to its closure. The Sheepmeat

Council agreed that it was largely because of the war and problems with one port but added that the Iranians had indicated quite definitely that they did not want carcass mutton; they had replaced live sheep with chicken and New Zealand lamb.⁴⁴

Promotion and Marketing of Sheepmeat in the Middle East

13.25 If demand were managed, as alleged by the AMIEU, it would be futile to promote refrigerated sheepmeat in the Middle East. The investment that Middle Eastern companies have in live sheep carriers, feedlots and other facilities would probably preclude the substitution of refrigerated sheepmeat trade for the live sheep trade as it would not be in their interests to convert their facilities to a new trade.

13.26 The AMIEU claimed that the two million live sheep exported to Kuwait would constitute a mutton carcass trade of 45 000 tonnes. The actual carcass export to Kuwait was approximately 700 tonnes of mutton and a similar amount of lamb. It claimed that Australia was servicing the small expatriate market; it was not selling sheep meat to the expatriate market which was being supplied with beef from India and poultry.⁴⁵

13.27 In December 1981 the Minister for Primary Industry and the President of the Australian Council of Trade Unions (ACTU) agreed on three requirements to resolve the industrial dispute over the live sheep trade. One of these was a fund to finance promotion of carcass sheepmeat in the Middle East.⁴⁶

13.28 The 1982 Mission returned from the Middle East and recommended:

'That the Australian Government consult with interested industry bodies on the establishment of funding arrangements for a positive program of development and expansion of markets for Australian hogget and mutton in the countries importing Australian live sheep.'

and:

'That the Australian Government provide financial support for the sheepmeat market development program.'⁴⁷

13.29 The Commonwealth Government offered to contribute \$1 million per annum for three years on a dollar for dollar basis with the industry for a market promotion fund. Producers, through their slaughter levy subscriptions to the AMLC, were to supply \$150 000 per annum. The Minister suggested that if the AMIEU levy its members \$4 per head it would raise \$152 000. However, the AMIEU required several assurances from the Government before it was prepared to contribute. It was concerned at the problem in several Middle Eastern countries of the use of barriers to entry, or non-tariff trade barriers, against the importation of Australian carcass sheepmeat. It required the Government to take a firm stand before contributing:

'The Government must get to the root cause of the problem in some countries and that requires full Government-to-Government negotiations and dealings to reduce barriers against carcass meats.

The AMIEU is not prepared to look at contributing to the suggested \$4 per head unless there are guarantees of access to some of these markets for carcass meats.'⁴⁸

Advisory Committee to the AMLC for Market Development and Promotion of Sheepmeats

13.30 In August 1982 the Minister for Primary Industry announced the establishment of a special market development fund to promote sheepmeat carcass trade, especially to the Middle East. An advisory committee was established to advise AMLC on appropriate market development projects to be financed from the fund.⁴⁹

13.31 The fund was financed by a two cent increase in the slaughter levy for sheep and lambs and a matching dollar for dollar contribution by the Federal Government over a three year period.

13.32 At the inaugural meeting of the advisory committee in November 1982, it was agreed that priority was to be given to the Middle Eastern market, but promotion of all sheepmeats and not just mutton, to all markets, including the Australian domestic market, was to be adopted.

13.33 Since 1982 \$1.4 million has been spent on 28 projects.⁵⁰ The advisory committee has initiated a number of projects for market development and promotions in the Middle East:

- . The underwriting, if necessary, of the cost of a trial shipment of a container of chilled lamb and mutton in a CO₂ modified atmosphere to the United Arab Emirates (UAE).
- . Part of the expenses of a BAE research project into 'Competition between Australia and New Zealand in the Middle East sheep meat market'.
- . Promotion of frozen and chilled sheepmeats including mutton and vacuum packed products at 'Saudifood 1983', Riyadh.
- . The advisory committee endorsed the production of a documentary film by AMLC staff entitled, 'Islam in Australia' in order to demonstrate that Islamic requirements were satisfied at Australian abattoirs. Film Australia prepared a script which was reviewed by the advisory committee, AMLC, EIS and AFIC and was

circulated for final approval to all halal certifying bodies in Australia. It is to be used as an adjunct to future promotion campaigns in the Middle East.

- . Intergraphics, a Middle Eastern advertising agency, conducted an advertising campaign from December 1983 to May 1984 in Saudi Arabia, Kuwait, Bahrain, Qatar, Dubai, UAE and Oman with use of television and magazines. The AMLC reported that the campaign had been effective in maintaining consumer awareness. Mutton exports were maintained although lamb exports decreased.

- . There are severe restrictions on the transport of chilled products by sea to Middle Eastern markets. Trial shipments using vacuum packaging met the approval of Kuwaiti authorities who agreed to extend the entry period for chilled meat to 45 days, only for trial purposes, in order to evaluate the transport of chilled products by sea.⁵¹

The AMLC stated that a part of the charter of the 'two cent' committee was to find markets for mutton as an alternative to live sheep. 'Getting acceptance of this has been most difficult. They wanted lamb and we were more interested in sending mutton than lamb.'⁵²

Difficulties of Sheepmeat Promotion

13.34 Setting aside the question of barriers to entry in Middle Eastern markets, it is apparent that there are difficulties with the promotion and marketing of sheepmeat in the Middle East.

13.35 There have been problems with product certification including absence of date stamping on export certificates, absence of results of immunological tests, inadequate shelf-life dates for canned meats and non-declaration of ingredients devoid of pig by-products.⁵³

13.36 The 1982 Mission noted that:

'Regulations imposing restricted entry period and shelf life for chilled and frozen meat are likely to limit the expansion of Australia's meat exports to some countries. Other local health regulations which prohibit the sale of frozen meat alongside fresh, the freezing of chilled meat and the thawing of frozen meat place limitations on the ability to promote demand for imported meat. The technical justification for these requirements could be questionable.'⁵⁴

The 1982 Mission recommended:

'That the Australian Government and AMLC ensure Islamic slaughter procedures in Australia are properly followed and certified as required by importing countries.'⁵⁵

13.37 The meat substitution issue which has received considerable media attention in the Middle East. Testing procedures in the Middle East may have been stepped up as a response to concern about Australian export controls, with the result that Australian meat exports may suffer an increased rejection rate in the Middle East.⁵⁶

13.38 Packaging is an important aspect of marketing and it is apparent that packaging of Australian meat could be improved. The 1982 Mission noted that 'the packaging of Australian meat at retail level should be improved to match competing countries' product presentation'.⁵⁷

13.39 There is the uncertainty of industrial stoppages in Australia. The 1982 Mission noted:

'Concern was expressed in certain markets about Australia's unreliability as a trading partner due to industrial disputation. On pursuing this question not all delays could be substantiated as due to this cause.'⁵⁸

13.40 There are considerable difficulties for western commercial agencies in the Middle East arising from language problems. Paxton noted that because of this problem information could be unreliable and that training in Arabic language and culture was essential for trade attache postings.⁵⁹ In 1980 the Department of Trade did not have one officer that could read Arabic. By 1982 they had engaged one officer in the Middle East section who was proficient in Arabic and could vet formal trade documents.⁶⁰

New Sheepmeat Marketing Developments

13.41 The 1982 Mission spent four weeks studying the markets for Australian sheepmeat and live sheep in Saudi Arabia, Libya, Kuwait, Bahrain, Dubai and Abu Dhabi. This was the first concentrated effort to assess market conditions in the Middle East. The AMLC and the Trade Commissioner Service have provided the only public source of information on Middle Eastern markets. The Committee noted comments made by Mr. Peter Wood, Head of the Bahrain office of the AMLC, who said, at the first annual general meeting of the Corporation in Sydney in May 1985, that the live sheep trade might not be maintained, that it had probably peaked with little likelihood of any further expansion. He predicted that the super carriers would be superseded by smaller ships transporting better quality sheep. This would correspond with an increase in carcass imports. This presented Australia with good opportunities for marketing sheepmeat but domestic meat processing productivity would need to be increased if it was to retain its share.⁶¹

13.42 There is other evidence for market opportunities in the Middle East. Mr Jassim Al Wazzan, the principal of a large Kuwait food importing company, completed an inspection of halal slaughter provisions in Australian abattoirs in April/May 1985. He commented that he was 'very happy and satisfied that animals are being slaughtered in accordance with our Islamic needs. The Australian industry has come to understand our requirements'.⁶² He indicated that shipments of lamb and mutton with some specialty meats would resume⁶³ as soon as two representatives could be appointed to oversee the halal slaughter of all meat exported to Kuwait.⁶⁴

13.43 There has been some criticism in the rural media of the performance of the AMLC in developing new markets in the Middle East for refrigerated sheepmeat.⁶⁵

13.44 Mr Arthur Brackenrig, Chairman of the Mudgee Cooperative Meat Supply, claimed that lamb exports were being held back by the traditional Australian practice of turning off high cost lambs dressing 15-20 kg. He said they should market lambs at 8-13 kg. These lambs should be marketed entire without the producer having to incur the costs of marking, drenching and feeding to get them to the higher bodyweights. Producers would have little to lose because if they were not accepted at low bodyweights producers could simply retain them and market them at heavier bodyweights. If they were turned off at 10 to 12 weeks management would be improved and costs reduced.

13.45 The AMLC gave evidence that it had been trying to promote chilled lamb and mutton, but believed it would be a long-term programme.⁶⁶

13.46 There is potential competition from New Zealand in marketing refrigerated sheepmeat in the Middle East. The AMLC reported that New Zealand has recommenced the export of chilled lamb to the Middle East. Small consignments of high quality

carcase under 12 kg are freighted to Saudi Arabia, Bahrain and the UAE at commercial, premium prices. However, the freight rate is high and capacity at both ends is limited.⁶⁷

13.47 Future exports of sheepmeat to the Middle East may benefit from a reported decision, taken by Australian and New Zealand authorities in March 1985, to co-operate more closely on market development and sales ventures. The marketing advisers of the two meat authorities have identified six markets that require immediate examination, including Iran and Iraq.⁶⁸

Competing Suppliers of Sheepmeat to the Middle East

13.48 Alternative sources of supply of sheep to the Middle East from countries other than Australia are an important consideration as it has been argued by the AMIEU that it is possible for Australia to impose a live/carcase ratio on Middle Eastern buyers with the consequence that the reduction in the export of live sheep would be matched by an increase in the supply of carcase mutton.⁶⁹ The counter argument is that Australian frozen mutton would be displaced by New Zealand frozen lamb and other cheaper meats from the EEC, South America and China.⁷⁰ In addition, Australian live sheep would be replaced by live sheep from other sources such as Eastern Europe, Turkey, South America and China.⁷¹ The response of the AMIEU was that Middle Eastern companies would not lay up the millions of dollars invested in sheep carriers that also carry adequate reefer space for the transport of refrigerated sheepmeat and forego the purchase of possibly half of their live sheep requirement.⁷² The AMIEU stated that:

'There really is not a genuine competitor ...
No country can be justified as resembling a
genuine threat to us as a supplier of mutton
on that market.'⁷³

These comments were corroborated by the Senior Australian Trade Commissioner in Bahrain who stated:

'Australia is really the only country in a position to supply live sheep in the volume required by the Middle East market.'⁷⁴

13.49 In evidence before the Committee, Elders IXL deferred to the AMLC evidence of import of sheep from various other sources with the qualification that the recent extreme drought in North Africa may have distorted the pattern of trade.⁷⁵

13.50 Another industry source commented that Australia was in an 'excellent position' to compete with other countries. The super carriers with cargoes of 100 000 or more sheep were limited as to where they could load and unload their live cargo.

13.51 The BAE advised the Committee that alternative suppliers of live sheep to the Middle East market constitute approximately 50 per cent of the total. The principal countries involved are Turkey, Romania, Somalia and Sudan. The last two countries have experienced severe droughts and have been turning off excess livestock.⁷⁶ Statistical tables for the main components of the international trade including sheep population by country are given in Appendix III.

13.52 The validity of claims of competing supply are examined on a region by region basis.

Current and Potential Suppliers by Region

Eastern Europe

13.53 Bulgaria, Romania, Poland and Hungary are subject to harsh seasonal conditions that restrict sheep breeding capacity. All four countries export sheep, but only Bulgaria and Romania currently export to the Middle East. At times these two countries have urgently required foreign currency and have virtually dumped sheep in the Middle East.⁷⁷ In 1985 SLTT

imported 70 000 sheep from Romania on its own vessel and 15 000 from Bulgaria and 'intend to do this more'.⁷⁸ Eastern Europe has started resupplying Iran, transporting sheep across the Black Sea and down from the port of Trabzon in northern Turkey.⁷⁹ There is also evidence that in the past five or six years Romania has been importing joined Australian ewes and re-exporting the unmarked lambs to the Middle East for the Haj.⁸⁰

Turkey

13.54 Turkey is the second largest supplier of live sheep to the Middle East. Its flock has increased in size; its sheep are fat tails, which are the preferred type and it is close to the major Middle Eastern markets. A winter ban on export has just been lifted.⁸¹

Suppliers within the Middle East Region

13.55 Although Egypt, Syria and Jordan have exported sheep to other Middle Eastern destinations and Kuwait has trans-shipped a large number, export is constrained by increasing domestic consumption and limits on production because of rudimentary management and severe climatic conditions. However, Syria is a major supplier of the 'up market' fat tail ram.⁸²

Afghanistan, Pakistan, India

13.56 Afghanistan supplies a limited number of sheep to the Kuwait market.⁸³ India has a large sheep flock, but in 1981 the Government imposed a ceiling of 50 000 on the export of live sheep. The UAE are 'totally and completely' supplied from India by dhows and larger ships. India also supplies Oman and Australia is left with a residual share of the market.⁸⁴

Pakistan has exported a few sheep to the Middle East. All three countries are close to the market but increasing domestic demand is limiting their capacity to export sheep to the Middle East.⁸⁵

North Africa

13.57 Somalia, Sudan and Ethiopia have been the traditional sources of supply for Saudi Arabia and the pilgrim market. They are close to the Middle Eastern markets, they have supplied a large number of sheep and they have fat tail sheep, the preferred product. However, production is limited by harsh climatic conditions and subsistence levels of flock management. The unrelieved years of drought and civil war have initially led to large exports but future exports may be curtailed. The AMIEU commented that sheep have been carried across the Red Sea by dhow from North Africa for 1400 years because Arabia, owing to the severity of its climate and restricted resources, has never been able to maintain enough sheep for domestic consumption. 'The North Africans, if they have the numbers, have a proximity to the market which would wipe us out overnight.'⁸⁶

China

13.58 The ALEA informed the Committee that trial shipments of live fat tail sheep from China began in January 1985.⁸⁷ China has the potential to become a serious competitor as the size of its sheep industry is comparable to that of Australia. However, there are reports of meat rationing within China and export could be constrained by domestic demand.⁸⁸ The price paid for Chinese fat tails is only marginally more than that paid for Australian wethers, particularly in Kuwait.⁸⁹

South America

13.59 Uruguay and Argentina have exported small numbers of sheep to the Middle East and KLTT has considered establishing an export trade from Brazil. The Senior Australian Trade Commissioner in Bahrain commented that, from November to May, live sheep can be exported from Montevideo or Buenos Aires, but exports outside this season suffer prohibitive mortalities.⁹⁰ The AMLC was of the opinion that Uruguay and Brazil may have some future potential⁹¹ but would be disadvantaged by intermittent supply and high mortalities.⁹² The AMIEU added that the Brazilian flock was too small and the sheep type was not suited to the trade. In addition, the voyage to the Middle East is longer and the loading facilities had not been developed. However, the SLTT stated that:

'We are always bombarded by companies from Argentina and Uruguay asking us to come and import sheep from there. Right now the total cost of the South American sheep might not be competitive in comparison with Australian sheep, but if partial cuts or ratios of carcass-to-live sheep are imposed it might make the South American sheep more competitive than they are right now.'⁹³

South Africa

13.60 In the early 1970s, South Africa exported approximately 30 000 head per annum, but exports have now declined to insignificant levels. Saudi Arabia maintains a trade embargo with the Republic. With a national flock of only approximately 30 million, the prospects for South African exports to the Middle East appear remote.⁹⁴

New Zealand

13.61 New Zealand sent two consignments to the Middle East in 1974 but this was terminated by the Government, partly on the grounds of high mortalities of four per cent and partly from trade union representation. The New Zealand Meat Producers Board has increased its pressure on the Government to resume exports and there are reports that Saudi Arabia and New Zealand representatives have met to discuss the possibility of re-entry.⁹⁵ However, there is considerable trade union opposition to the move. The major problems to be resolved are government legislation, high freight rates, a limited supply of suitable sheep,⁹⁶ seasonal irregularity of supply and investment infrastructure.⁹⁷