

MONTHLY LAMB MARKET SUMMARY

AUGUST 9, 2023

The supply side of the market is supporting live lamb prices as lighter lamb weights have kept production below a year ago, while lower import volumes have contributed to a smaller supply of lamb in the domestic market. While inflation appears to be subsiding, many key necessities, such as food, continue to show large gains in prices. In June, the Consumer Price Index for Food climbed 5.7% and is still persistently climbing. The demand side of the market remains a challenge as the economic picture appears less clear. As the Federal Reserve continues to raise rates to the highest level in 22 years in its ongoing effort contain pricing pressures, household debt continues to grow, and the strong labor market is making it harder to get inflation down further.

Lamb Supplies

Federally Inspected (FI) lamb and yearling slaughter for July is estimated to be about 4% lower than last year, based on weekly data. Combined with lamb weights averaging around 5 – 6 lbs. lighter, production in July is estimated to be about 10% less than a year ago. While year-to-date lamb and yearling slaughter is averaging above 2022, the supply side dynamics are different than this time last year, so when compared to 2021, slaughter is down about 7%, a reflection of the smaller lamb crop and less lambs on-feed.

Year-to-date mature sheep slaughter is averaging about 5% or 2,500 head higher than year than last year, but still below the large levels seen in 2021. Higher slaughter levels appear to be driven by larger cull ewe slaughter numbers in Region 9 (AZ, CA, HI, NV), with modest year-over-year increases in the Eastern Cornbelt, Southeast, and Northeast regions.

In June, lamb and mutton stocks in cold storage were 24.8 million pounds, up 8.9% from last year. However, stocks remained below the five-year average, which is around 35 million pounds in June.

Lamb and Mutton Trade

American lamb is accounting for a larger share of total lamb supplies this year due to the smaller import volumes. Lamb imports in the first half of the year, totaled 110.9 million pounds (carcass weight basis), 27.1 million pounds less or 20% lower than last year and 9% smaller than 2021. Import volumes from both Australia and New Zealand through June were below a year ago, down 18% and 24%, respectively. For June, lamb imports were down 22% or 5.2 million pounds from 2022. Imports of mutton at 29.5 million pounds for the January to June period were down 23% smaller from last year. Year-to-date lamb and mutton imports totaled 140.4 million pounds compared to 176.2 million pounds last year.

Retail Trends

The average price of all lamb cuts published in the USDA Agricultural Marketing Service (AMS) retail featuring report increased \$1.27 per lb in July to \$9.53 per lb, \$0.40 per lb higher than a year ago.

Of the sampled item prices published, there was a feature for rib chops at \$26.99 per lb in mid-July compared to \$14.21 per lb the prior month, which was a key factor in the large monthly increase in the overall lamb cuts average price. Only 4.3% of the sampled stores advertised lamb during June, while none of the sampled stores offered a no-price promotion (e.g., buy 1, get 1 free, etc.).

Pasture and Range Conditions

Conditions have improved substantially across the U.S. compared to last year. The hay situation remains expensive for many producers, but as of mid-July, less than 25% of the continental U.S. pastures required supplemental feeding compared to 46% at the same time last year. Trouble spots still exist, primarily in the Corn Belt states of the U.S., which are seeing poor and very poor conditions over 30%. These states, though, have not been affected by drought in the last three years, and it reasons that these pastures will recover with rain quite quickly if the drought breaks after one year.

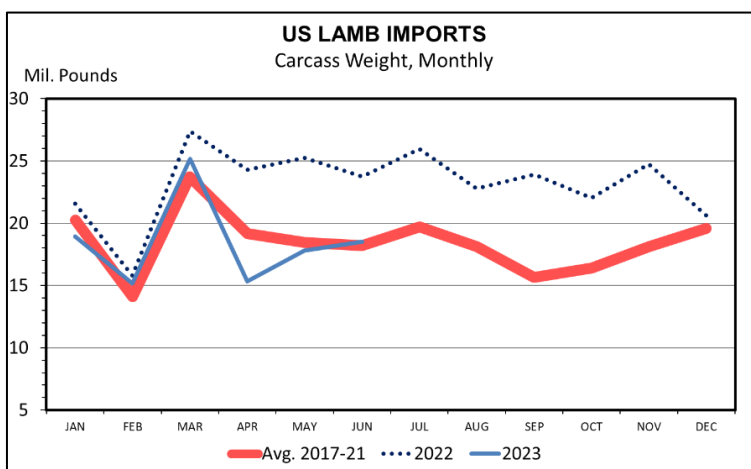
Sheep and Lamb Prices

Auction prices for feeder lambs sold in Colorado, South Dakota, and Texas averaged \$178 per cwt. in July, even with June and well above the \$157 per cwt. average last year. Video market sales were also stronger, with prices ranging from \$177 per cwt. to \$215 per cwt. for late summer/fall delivery. Slaughter lamb prices continued to move upwards in July, with the National Negotiated Live Slaughter Lamb price reaching just shy of \$200 per cwt. in late July, a monthly average of \$190 per cwt.

The National Lamb Cutout Value gained \$4.00 per cwt. in July in response to tighter lamb supplies, averaging \$514 per cwt., but remained 15% below last year’s value. Wholesale values for shoulders, loins and legs remained lower than 2022, but increased modestly from June. In July, the Foresaddle averaged \$546 per cwt. compared to \$631 per cwt. a year ago, while the Hindsaddle at \$479 per cwt. was down \$100 per cwt.

Looking Ahead

Lower lamb imports and less product in cold storage have painted a better picture for total supplies providing an opportunity for improved lamb prices as the market enters the second half of the year. The Livestock Marketing Information Center (LMIC) forecasts call for stronger prices during the second half of the year relative to last year, with feeder lamb prices about 3 – 4% higher and slaughter lambs prices 30% stronger.



Source: USDA Agricultural Marketing Service, Compiled by LMIC