

MONTHLY LAMB MARKET SUMMARY

APRIL 8, 2024

As 2024 progresses, optimism remains for the lamb industry as tighter supplies and lower feed costs, particularly for corn and hay, are supportive for stronger lamb prices. The U.S. economy has managed to avoid another recession since coming out of the pandemic, even as the Federal Reserve continues to combat inflation. Consumer demand remains a key factor this year. While the economic indicators imply a growing economy, for consumers, inflation has become a reality. Many consumers are managing higher costs through revolving credit options, all factors that are influencing their purchasing decisions.

Lamb Supplies

The total supply of lamb available for consumers is a factor of domestic lamb production, imports, exports, and product in cold storage. Federally Inspected lamb and yearling slaughter averaged about 2 – 3% higher in the first quarter compared to a year ago, mainly due to the Easter holiday falling in March compared to a year ago. Seasonally, slaughter levels peak in the March to April period, as the spring holiday season is the strongest demand time for American lamb. Slaughter lamb supplies are expected to seasonally decline into the summer.

Although slaughter levels are higher so far this year, lamb weights continue to average lower. Lighter weights are being driven by a growing percentage of lambs moving into the slaughter channel at lighter weights (less than 100 lbs) as the ethnic segment of the market continues to expand, the slaughter channel is current meaning there is no oversupply or backlog of lambs, and a smaller lamb crop. As a result, lamb and mutton production was similar to a year ago in the first quarter and about 7% below the 2018 – 2022 average.

Stocks of lamb in cold storage remain low compared to prior years, down 33% or 9.67 million pounds from a year ago. Frozen stock levels for January (19.93 million pounds) and February (19.98 million pounds) are at levels not seen in more than a decade. The lower supply of lamb in storage is favorable from the supply side of the market for supporting lamb prices.

Lamb Trade

Seasonally lamb imports decline from January to February and then increase in March in response to the spring holidays. In February, lamb imports totaled 20.8 million pounds, a decline of 10% from January but 37% higher than a year ago. Higher U.S. wholesale prices for lamb are most likely a factor in larger imports so far this year relative to a year ago. Mutton imports were below a year ago, down 46% from last February and the tenth consecutive month that import levels were below the prior year. Total lamb and mutton imports for February were 11% higher than last year and 12% larger than in 2022. Current forecasts by the Livestock Marketing Information Center (LMIC) suggest 2024 import levels to be similar to 2023.

Retail Trends

According to the 19th annual *Power of Meat* report released last month by the Meat Institute and the Food Industry Association, the number of Americans who describe themselves as meat eaters (80%) and the number of households that purchase meat (98%) remained steady from 2023. As discussed in previous newsletters, consumers' shopping and meal choices are being impacted by economic conditions. Americans are cutting back on dining out (43%), while of the meat eaters who are buying restaurant meals less often, 75% are trying to recreate restaurant-type meals at home. Ongoing efforts by the lamb industry to capture on the shift to dining at-home continues to provide opportunities for American lamb.

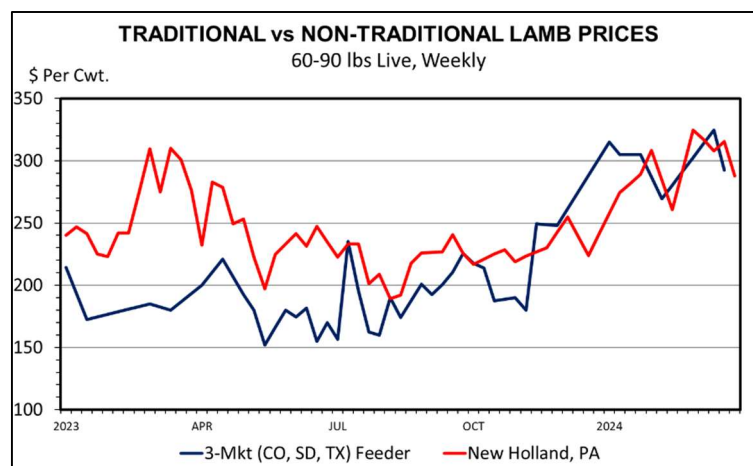
At the grocery store, 73% of Americans are changing their meat purchasing habits to save money, with the most common change being adjusting the quantity of meat purchased. Among meat purchasers changing quantities to save money, 30% buy smaller packages to save money immediately, and 42% buy larger bulk packs to save money over time. This can be a challenge for American lamb as being one of the highest priced proteins in the meat case (and in direct-to-consumer markets), consumer budgets may be constraining their ability to purchase the same amount of lamb at current prices as they did a few years ago at lower prices and therefore may be opting to purchase less lamb. More than 9 in 10 shoppers said they would spend extra on occasion, with holidays, special celebrations and entertaining as the top reasons, which is a positive for American lamb.

Sheep and Lamb Prices

Feeder lamb, lightweight slaughter lamb, and slaughter lamb prices were stronger in March relative to a year ago. As the industry continues to shift towards more lightweight slaughter lambs, the balance of supply between these lambs, feeder lambs destined for feedlots, and heavyweight slaughter lambs will change, impacting prices. As feed costs for the livestock industry are expected to decline, it will help feeding margins going forward further supporting lamb prices. Wholesale lamb values continue to be supported by shoulders and legs, while racks still struggle. The National Lamb Cutout Value averaged \$551 per cwt. in March, the highest value posted since October 2022.

Looking Ahead

The LMIC is forecasting stronger prices for feeder lambs (30% higher) and slaughter lambs (17% higher) mainly due to smaller supplies. Consumer demand is expected to be like 2023 as higher lamb prices relative to other proteins and mixed economic signals continue to have an impact on consumer purchases.



Source: USDA Agricultural Marketing Service, Compiled by LMIC