

LAMB MARKET SUMMARY – DECEMBER ISSUE

JANUARY 5, 2023

As 2022 closed, the lamb industry was still facing elevated feed and input costs, above year-ago inflation levels, higher interest rates and impacts of drought in many regions. Ongoing concerns as to what the economy will look like in 2023 and what that means for consumer demand for lamb remains a key factor. Food inflation appears to be steadying as food price inflation in November increased at the slowest rate in 2022. However, prices overall are still higher than a year ago with the November Consumer Price Index (CPI) at 7.1%, well above the target rate of 2%. Live lamb prices have strengthened in response to industry efforts to rebalance supply levels and are forecasted to improve as 2023 progresses.

Sheep and Lamb Slaughter

Federally Inspected (FI) lamb and yearling slaughter data for December is forecast to be about 7% lower than a year ago based on weekly data, with a similar decline on an annual basis. Lamb weights were a tad heavier than last year, which suggests lamb production was down about 6% for December. Heavier lamb weights during the summer compensated for lower slaughter lamb numbers in 2022, with total lamb production for 2022 estimated to be 6% lower than 2021.

The number of lambs on-feed in Colorado as of January 1st totaled 161,399 head, a decline of about 32,000 head from the prior month and 49,000 head less than at the start of 2022. The lamb feeding sector appears to be more current in the supply of market-ready lambs. Based on USDA grading data through November, the number of yield grade 4 and 5 lambs have fallen in recent months.

Lamb Trade

In November, lamb imports totaled 24.7 million pounds (carcass weight basis), 5% higher than the prior year and on a year-to-date basis. Imports seasonally increase this time of year in response to the winter holiday demand. Compared to last year, lamb imports from Australia were 25% larger while imports from New Zealand were down 38%. While mutton imports increased monthly, volumes continued to trend below a year ago, down 61% in November. Total imports of lamb and mutton in November were down 21% from a year ago with the year-to-date volumes 2% lower driven by smaller mutton imports.

The stronger U.S. dollar tends to favor lamb imports from Australia and New Zealand. Recent forecasts by Rabobank are calling for the U.S. dollar to remain strong in 2023. As of late December, the Livestock Marketing Information Center (LMIC) is currently forecasting a modest decline in lamb and mutton imports for 2023.

Sheep and Lamb Prices

Markets were quiet in December due to the holidays and weather conditions. Feeder lamb prices, 60 – 90 lbs., in Sioux Falls, SD averaged \$241 per cwt., the highest monthly average since spring 2022 while lightweight slaughter lambs (60 – 90 lbs.) in New Holland, PA sold in the mid-\$280s per cwt., down 12% from November. Slaughter lambs sold on video markets ranged from \$103 – \$138 per cwt. with

lightweight lambs selling at the top of the range during December. The National Negotiated Live Slaughter Lamb climbed to levels not seen since August, hitting \$134 per cwt. in the last week of December, with a monthly average of just under \$129 per cwt. While still below a year ago, prices are improving now that the supply of overweight lambs is no longer weighing on the market.

The National Lamb Cutout Value (Gross Carcass FOB, 5 Day Rolling Avg) averaged \$5.33 per pound, in December, the lowest value since May but still 35% above the 2016 – 2020 average. Prices for the shoulder, leg, and rack softened in December while prices for ground lamb were relatively steady. In December, the shoulder averaged \$3.58 per pound, 27% below a year ago, the leg (trotter-off) averaged \$4.42 per pound, 26% lower than last year, while the loin and rack (8-rib medium) averaged 24% and 22% lower. Wholesale prices are still higher than seen at the end of 2021.

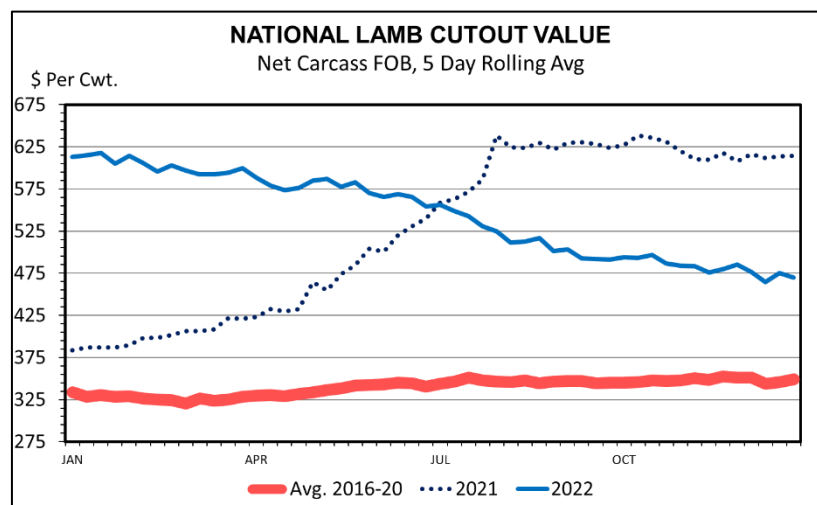
Retail Trends

Midan Marketing recently reported consumers have made changes to their meal plans, shopping habits and general decision making to weather the economic storm. According to IRI, consumers have been shifting to private labels, trading out of expensive food categories, and down to value brands, as well as consuming more at home. Consumers were expected to keep trading down to lower priced items over the holidays and into 2023.

At the meat case, Midan Marketing Top Meat Trends report many consumers are more open to experimenting in the kitchen than in the past while some are seeking out less expensive meat, others, are opting for premium meats at retail instead of dining out. Another trend identified for 2023 is promoting “value” to help consumers weather the high-cost environment. How consumers define “value” will impact their buying behavior and appealing to how lamb provides “value” with respect to heavy, moderate, and light lamb consumers may be an opportunity for promoting American lamb in 2023.

Looking Ahead

Strong consumer demand will be needed to support lamb prices in 2023. In early December, the LMIC was forecasting lamb production to be down about 3% during the first half of 2023, in response to lamb weights returning to more normal levels. Live lamb prices are expected to remain below 2022 price levels until the summer quarter. As evidenced over the last few years, the lamb market is dynamic and can change quickly in response to market factors.



Source: USDA Agricultural Marketing Service, Compiled by LMIC