

LAMB MARKET SUMMARY – MARCH ISSUE

APRIL 7, 2023

The spring holiday season is the peak demand time for lamb and the industry is watching how consumers will celebrate this year. The past year presented many challenges to consumer spending in the face of high inflation and now rising interest rates. As a result, consumer demand for lamb declined in 2022 and the market had to adjust in response. While consumers have been resilient and adapted in response, the direction of the economy in 2023 is still uncertain. Good news, according to the IRI retail scanner data, sales volumes of lamb at retail in 2022 were larger and at higher prices than before the pandemic, reflecting the industry's efforts to grow demand for American lamb.

Retail Trends

According to the USDA Agricultural Marketing Service (AMS) retail featuring report, retail store circulars featured lamb on average 10% in March, with featuring rates seasonally increasing in the last two weeks of March at 11% and 18%, respectively. This is similar to last year with expectations for a greater featuring rate in the week leading up to the traditional Easter holiday. The average price of all lamb cuts published in the retail featuring report has declined each month since November, with the March average at \$9.08 per lb.

According to the 2023 Power of Meat Study, consumers are very aware of inflation, which is driving many changes, including fewer restaurant visits and how much, where and what type of groceries consumers purchase. Consumers spent at least 25% more on food in 2022 than in 2019, and a large percentage of Americans have changed what they purchase in response, seeking value in terms of price, convenience, and better-for attributes. In 2022, consumers purchased 7% less lamb at retail than in 2021, but 11% more than in 2019, and at higher prices.

Lamb Supplies – Production, Lambs On-Feed, & Cold Storage

Based on weekly slaughter data, Federally Inspected lamb and yearling slaughter in March is forecasted to be about 4 – 5% larger than last year but down about 7% from 2021. Due to lighter lamb weights, lamb production in March is expected to be up only about 1 – 2% compared to a year ago, but down 10 – 11% from 2021.

As of April 1st, the number of lambs on-feed in Colorado feedlots totaled 90,958 head, down about 78,800 head from a year ago. On-feed numbers have seasonally declined each month since November. High breakevens, a larger number of lambs being marketed as lightweight slaughter lambs, and a smaller lamb crop have contributed to lower feedlot inventories.

Cold storage stocks of lamb and mutton at the end of February totaled 28.6 million pounds, 13% larger than the prior month and 29% higher than a year ago. The monthly increase in stocks is expected in preparation for the spring holiday demand. However, the large year-over-year level needs to be monitored as it is an indicator of product movement and consumer demand. The recent U.S. Department of Agriculture (USDA) Section 32 purchase of American lamb products will provide short term relief to reduce the buildup of lamb supplies.

Lamb and Mutton Trade

Year-to-date lamb imports (January and February) are down 9% from last year at 34.1 million pounds (carcass weight basis) and about 1% smaller than the 2017 – 2021 average. Import volumes from both Australia and New Zealand were below a year ago, down 6.5% and 17%, respectively. Mutton imports so far this year are down about 11% at 15.3 million pounds. Total lamb and mutton imports for the two-month period totaled 49.4 million pounds, 9.4% smaller than the same period a year ago. According to Mercado, the U.S. “remains a little subdued in their demand with volumes running under the five-year average pattern so far this year.”

Sheep and Lamb Prices

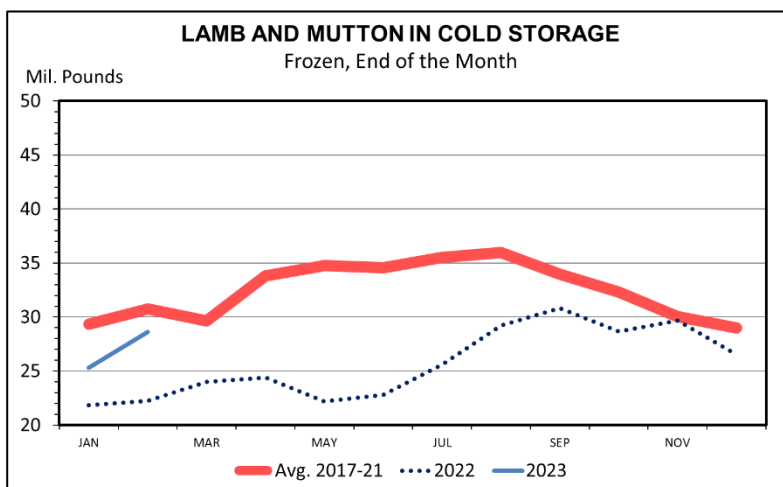
Feeder lamb prices (average of Colorado, South Dakota, and Texas) strengthened in March to an average of \$182.50 per cwt. with feeder lambs sold on the Equity Video Market climbing to \$164.50 per cwt. in late March. The April Western Video Market auction will provide insight on the demand for feeder lamb prices going into spring and summer. The National Negotiated Live Slaughter Lamb price, continued to climb, hitting the low \$140’s per cwt. in late March.

On a monthly basis, wholesale lamb prices have continued to trend lower this year, with relatively large year-over-year declines. In March, the National Lamb Cutout Value (Gross Carcass FOB, 5 Day Rolling Avg) averaged \$5.20 per lb, a few cents less than in February but 21% lower than a year ago and still about \$46 per cwt. higher than in 2021. On a quarterly basis, the Cutout Value has lost more than \$1.30 per lb. in value from a year ago, with the value of the Foresaddle and Hindsaddle down 15% and 25%, respectively.

Looking Ahead

The spring holiday season will provide insight into where consumer demand for lamb is relative to last year, given ongoing economic uncertainty, downward price adjustments at the wholesale and retail levels, and industry efforts to promote American lamb. Strong consumer demand will be needed to support lamb prices in 2023.

The Livestock Marketing Information Center (LMIC) is expecting feeder and slaughter lamb prices to return to pre-pandemic levels in 2023 with modest gains into 2024. Feeder lamb prices (3-market average CO, SD, & TX) are forecast to range from \$169 to \$177 per cwt. with slaughter lamb prices (national negotiated live) averaging in the \$136 – \$144 per cwt. range for 2023.



Source: USDA Agricultural Marketing Service, Compiled by LMIC