

LAMB MARKET SUMMARY – OCTOBER ISSUE

NOVEMBER 4, 2022

The sheep and lamb market has been faced with many challenges during the last few months. The lamb industry is making progress in reducing the supply of overweight old-crop lambs in Colorado feedlots, wholesale prices have declined which has translated into lower retail prices, and live lamb prices have recovered some from the low levels seen in late-summer. Supply chain issues remain, particularly rising costs for such factors as transportation, labor, and processing, which factor into higher prices for consumers. Consumer purchasing behavior has changed as the cost of living has increased more than earnings, while consumer credit is on the rise as savings rates are falling.

Sheep and Lamb Slaughter

Slaughter levels on average through October are still tracking well below the same period in 2021. Based on weekly data, Federally Inspected (FI) lamb and yearling slaughter is expected to be down about 13% for October. Industry efforts to reduce the supply of heavy-weight lambs, are being reflected in lower average dressed weights which declined in October and averaged a pound heavier than last year. Mature sheep slaughter continues to follow a more typical pattern with year-to-date weekly slaughter down 25% from last year. For October, FI lamb and mutton production is expected to be down about 14% as result of smaller slaughter numbers.

Lamb Imports

Softening demand and lower lamb prices are contributing to smaller lamb imports. In September, lamb imports declined 8% from a year ago, totaling 23.9 million pounds (carcass weight basis) as volumes from both Australia and New Zealand were down 5% and 26% respectively. For the January – September period lamb imports were 6% higher. Mutton imports for September were 8% lower than 2021, with the year-to-date volume down 7%. Total lamb and mutton imports were 8% lower than a year ago in September but are 3% larger year to date. The price spread between domestic and imported lamb prices has narrowed, which should limit import volumes.

Cold Storage

Lamb and mutton cold storage stocks continued to climb in September to 31.4 million pounds, an 8% monthly increase and a 22% year-over-year gain. While stocks can increase this time of year in preparation for the holiday season, rising cold storage stocks are often an indication of slowdowns in moving products due to changes in consumer demand and purchasing behavior.

Sheep and Lamb Prices

Live lamb prices strengthened in October as supply conditions improved. Feeder lamb prices (average of Colorado, South Dakota, and Texas) averaged \$165 per cwt. in October, \$10 per cwt. higher than September. Video auctions were limited but lightweight feeder lambs 75 – 90 lbs. sold in the \$135 to \$171 per cwt. range, with slaughter lambs averaging around \$113 per cwt. The National Negotiated Live

Slaughter Lamb price gained \$2.00 per cwt. from September to October with a monthly average of \$119 per cwt.

Wholesale lamb prices further declined in October with the National Lamb Cutout Value (Gross Carcass FOB, 5 Day Rolling Avg) averaging \$554 per cwt., \$140 per cwt. lower than 2021's record high price and the lowest monthly average since June of 2021. All major cuts lost value in October compared to a year ago, with the largest year-over-year decline in loin prices.

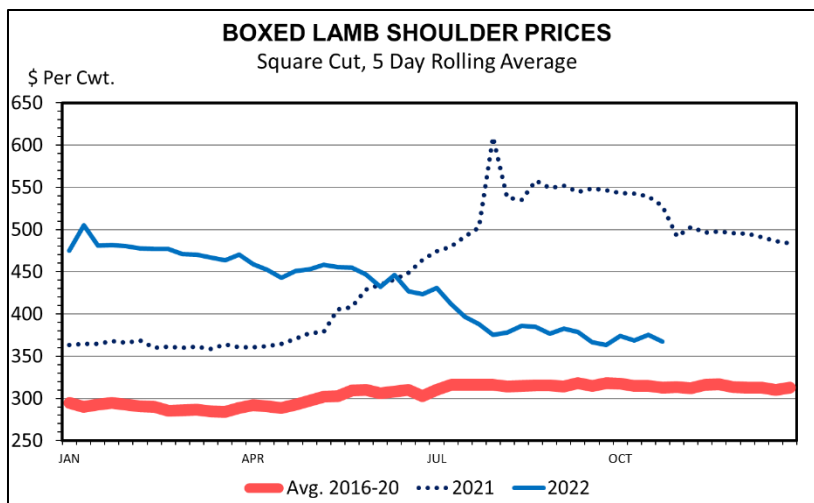
Retail Trends

Retail lamb prices have modestly declined in recent months as indicated in the USDA's Agricultural Marketing Service (AMS) retail featuring report. For October, the average lamb feature price was \$9.60 per lb, down from the peak of \$10.44 per lb in August but slightly above 2021. Indicators across all proteins have suggested consumer preferences are shifting to more economical cuts. The average retail featuring prices for shoulder chops and stew meat have declined while prices for loin chops remain elevated.

According to the 2022 National Meat Case Study, lamb has seen some gains in the retail meat case over the last five years. During the February and May of 2022 period, the average number of packages of lamb was 28 compared to 21 in 2018, and a greater share of smaller proteins, such as lamb, are in today's meat case. Case ready products continue to rise across proteins, with lamb at 91% case ready packages compared to 86% in 2018. Private brands continue to climb, with 55% of lamb sold as a private brand, 44% as a supplier brand, and 2% with no brand. While natural claims have increased, for lamb, it has declined at 46% of lamb as natural compared to 63% in 2018, but 28% of lamb sold has a grass-fed claim.

Looking Ahead

Looking at 2023, the Livestock Marketing Information Center (LMIC) is forecasting annual sheep and lamb slaughter to be down 0.5% to 2.1 million head. Based on expectations for a stable breeding flock and a 2023 lamb crop of just under 3.1 million head, the LMIC 2023 forecast leads to an all sheep and lamb inventory level on January 1, 2023, down less than one percent to just above 5 million head. While it is early November, there are still several factors that could influence the January 1, 2023, inventory number. The LMIC assessment is that the sheep and lamb industry is moving out of pandemic related market dynamics and more towards pre-pandemic market conditions.



Source: USDA Agricultural Marketing Service, Compiled by LMIC

