

## LAMB MARKET SUMMARY – NOVEMBER ISSUE

DECEMBER 6, 2022

The holiday season is in full-swing and the current inflationary environment is having an impact on consumer purchases across all sectors. According to the Food Industry Association's U.S. Grocery Shopper Trends: Holiday Shopping report, 45% of consumers are most concerned about rising meal prices as compared to other holiday expenses, with 71% of consumers making some adjustment to their holiday meal shopping to adapt to the economic environment. While wholesale and retail lamb prices have been trending lower, consumer demand for American lamb may be challenged this holiday season as prices remain high relative to other proteins.

### Sheep and Lamb Slaughter

Lamb slaughter levels continue to track below a year ago, with Federally Inspected (FI) lamb and yearling slaughter down 8% through October, or about 700 head less on a daily average basis. Based on weekly data for November, FI lamb slaughter is forecast to be 8% lower than a year ago. The number of sheep and lambs moving through the Non-Federally Inspected (NFI) channel (processing plants that sell and transport only intrastate) has increased over the years, driven by growth in direct sales and ethnic markets. Year-to-date NFI sheep and lamb slaughter is about 11% percent lower than 2021 and 6% less than in 2020. So far this year, the percentage of FI slaughter relative to total slaughter (FI and NFI) is about 85%, which is in-line with 2021 and 2020 levels.

The industry has made great strides in reducing the supply of old-crop, heavy-weight lambs in the past few months. Average dressed weights for November were similar to year-ago levels and the normal seasonal trend. The recent announcement by U.S. Department of Agriculture (USDA) for a Section 32 purchase of American lamb products will provide short term relief to lessen the buildup of lamb supplies that has occurred this year. Products that might be included in the purchase could include lamb leg roast, diced lamb, lamb shoulder chops, and lamb loin chops.

### Lamb Trade

For the third consecutive month, lamb import volumes were below a year ago in response to lower domestic prices. Lamb imports at 22.0 million pounds (carcass weight basis) were 8% less than September and 1% less than 2021. Australia and New Zealand account for 98% of total lamb imports, with the balance of imports from Chile, Mexico, Uruguay, and Canada. Lamb imports from the United Kingdom were reported in November at a total 14,664 pounds. Mutton imports in October at 5.7 million pounds were down 51% from 2021. Total lamb and mutton imports in October were 18% lower than a year ago but about 5% larger year-to-date compared to 2021. The price spread between domestic and imported lamb prices continued to narrow in November which should help to limit import volumes.

### Sheep and Lamb Prices

Live lamb prices have strengthened in recent months with feeder lamb prices (average of Colorado, South Dakota, and Texas) averaging \$175 per cwt. in November, about \$10 per cwt. higher than October and

\$20 per cwt. higher than in September. Lightweight feeder lambs 90-100 lbs. sold on video markets during November ranged from \$110 to 146 per cwt., with slaughter lambs averaging around \$120 per cwt. The National Negotiated Live Slaughter Lamb prices rose to an average of \$123 per cwt. in November, with weekly prices hitting \$127 per cwt. in late November but are still well below a year ago.

Wholesale lamb prices continued to decline in November with the National Lamb Cutout Value (Gross Carcass FOB, 5 Day Rolling Avg) averaging \$5.43 per pound, which is about 2% lower than October and 20% or \$1.34 per pound below the same period. Wholesale prices remain about 38% above the five-year average. The shoulder, leg and rack have all been tracking at a relatively level value for the past few months. The shoulder averaged \$3.61 per pound in November, 27% below last year, the leg (trotter-off) averaged \$4.63 per cwt, a 24% decrease from the same period last year while the loin and rack (8-rib medium) averaged 30% and 18% lower than 2021. Over the last two months, prices for both the rack and loin have been declining about 1% or less each week.

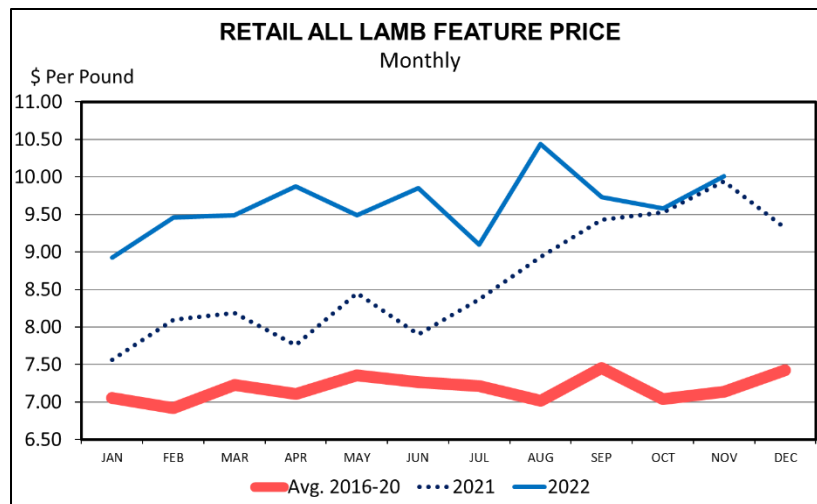
### Retail Trends

Featuring of lamb in retail store circulars increase during the holiday season. According to USDA’s Agricultural Marketing Service (AMS) retail featuring report, the average number of stores advertising lamb during November was 12%, much higher than in October, but a slightly lower rate compared to 2021. According to Lori Dunn, VP at Thomas Foods, USA which offers value-added lamb products recently commented that consumers are looking for value-added meat within a certain price range.

While wholesale lamb prices have declined, retail lamb prices as published by AMS, increased in November. The disruptions in the economy and labor market since 2020 have had a significant impact on retail and foodservice. All of which has resulted in increased costs and require higher margins. This is one reason wholesale and retail prices may have not declined at the same pace as live lamb prices this year.

### Looking Ahead

Looking at 2023, strong consumer demand for lamb products will be a key factor for the industry to support lamb prices. There is still a lot of uncertainty about the economic environment in 2023 and how consumers will respond. The Livestock Marketing Information Center (LMIC) is forecasting lamb slaughter to be down about 10% this year but due to heavier weights, total lamb production 6% smaller than 2021. Live lamb prices are expected to average 16 – 19% lower in 2022 with below year ago prices continuing into the first half of 2023.



Source: USDA Agricultural Marketing Service, Compiled by LMIC