

LAMB MARKET SUMMARY – APRIL ISSUE

MAY 5, 2023

Consumers are still coping with an inflationary environment as retail food prices were 20 – 25% higher in the first quarter than in 2020. Wholesale and retail lamb prices are declining relative to last year as food inflation moderates each month. While consumers are still buying lamb, they are getting less for their dollar due to elevated prices, which is limiting their willingness to pay higher prices and increase their purchase volumes.

Lamb Supplies

Compared to last year, the industry is in a better position on the supply side of the market. While Federally Inspected (FI) lamb and yearling slaughter in the first quarter was 11% higher than a year ago, slaughter levels were smaller in 2022 due to increasing numbers of lambs on-feed. Compared to 2021, lamb slaughter was down 2% and 6% smaller when compared to the 2017 – 2020 average. Lighter weights have offset the larger numbers, with production only 7% larger in the first quarter. Based on weekly data for April, lamb and yearling slaughter is expected to be down about 2% with a greater decline in production due to lighter dressed weights. The number of lambs on-feed in Colorado feedlots totaled 85,092 head on May 1st, about 73,400 head less than 2022. This is the smallest on-feed number since August as on-feed numbers seasonally decline and the smallest May on-feed number since 2010.

Cold Storage

Cold storage provides a glimpse of supply movement relative to consumer demand or willingness and ability to purchase lamb at current prices. Supplies of lamb in cold storage declined about 11% or 3.2 million pounds from February to March. Stocks were at 25.4 million pounds at the end of March, 6% higher than a year ago but about even with 2021.

Lamb and Mutton Trade

In the first quarter, lamb imports totaled 59.2 million pounds (carcass weight basis), 5.5 million pounds or 9% lower than in 2022. Import volumes from both Australia and New Zealand were below a year ago for the first quarter, down 7% and 13%, respectively. Mutton imports at 19.5 million pounds were 17% lower in the first quarter. On a monthly basis lamb imports seasonally increased in March, but volume was down 8% from last March. According to Meat & Livestock Australia (MLA), “the decline in lamb exports to the U.S. is reflecting lower demand and partially driven by substitution for cheaper proteins – frozen lamb exports fell by 22% and mutton exports grew by 41%, almost balancing out.” According to MLA, lamb exports to the U.S. saw considerable declines in April.

Retail Trends

Consumers continue to adapt to higher meat prices and inflationary pressures by opting for more value-based channels, trading down to lower priced products and brands, and taking advantage of sales.

Spending for food at home remains higher than pre-pandemic levels as many people continue to work from home, a change that looks to remain in the post-pandemic environment. While food-away-from-home purchases remain below pre-pandemic levels, Restaurant Dive reported that menu prices outpaced grocery prices in March, the first time in several months due to declining retail prices.

As expected, the number of retail store circulars that featured lamb in April increased relative to prior months for the spring holidays. According to the USDA Agricultural Marketing Service (AMS) retail featuring report, about 14% of retail store circulars featured lamb in April with 20% featuring the week leading to Easter. Featuring in April was down from last year but similar to 2021. Year-to-date featuring has averaged about 10% vs. 11% in 2022. The average price of all lamb cuts published in the retail featuring report continues to decline, with the April average at just over \$8.00 per lb. versus nearly \$10.00 per lb. a year ago.

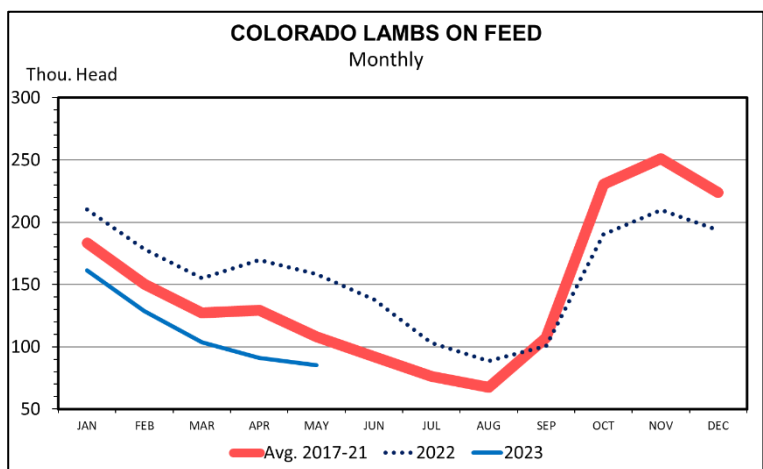
Sheep and Lamb Prices

Demand was favorable for lambs sold on the Western Video Market auction in April with prices ranging from \$182 to \$214 per cwt. Prices published for 60 – 90 lbs. feeder lambs (average of Colorado, South Dakota, and Texas) was thin in April, with prices ranging from \$182.50 per cwt. to over \$200 per cwt. across the three markets. The National Negotiated Live Slaughter Lamb price, jumped in April to an average of \$158 per cwt. as demand and supply conditions improve but still down 28% from 2022.

Wholesale prices continue to move lower, with the National Lamb Cutout Value (Gross Carcass FOB, 5 Day Rolling Avg) averaging \$519 per cwt. about \$122 per cwt. less than in 2022. On average, the Cutout Value has lost about \$20 per cwt. since January. The Hindsaddle lost nearly 25% in value in April versus last year as prices for loins and legs were down 30% and 25%, respectively. The Foresaddle was down about 13% with shoulders posting a 22% year-over-year decline in April.

Looking Ahead

Consumer trends and economic indicators are still hinting at an impending recession this year. The severity of the economic slowdown will determine how much consumer demand for lamb could be affected as evidenced in past recessions. The Livestock Marketing Information Center (LMIC) is expecting feeder and slaughter lamb prices to improve through the balance of 2023, with annual prices on average about 20 – 25% lower than in 2022.



Source: USDA Agricultural Marketing Service, Compiled by LMIC