American Sheep Industry Association Publication for the American Lamb Board

# LAMB MARKET SUMMARY – AUGUST ISSUE

SEPTEMBER 1, 2022

Several factors have indicated a softening in consumer demand for lamb this year. While lamb demand was boosted during the pandemic which led to higher lamb prices, inflation this year has resulted in a decline in real incomes impacting consumer’s willingness to pay for lamb. While the Consumer Price Index (CPI) in July was steady with the prior month, food prices kept increasing with inflation for food at home and at restaurants 13% and 7.6% higher respectively. This has led to a difficulty in moving lamb through consumer channels at the previously high prices. As a result, the demand for live lambs has declined, resulting in a slowdown in feedlot marketings, heavier lamb weights, a rise in over-finished lambs and high feed costs which has reinforced declining live lamb prices.

## Sheep and Lamb Slaughter

Lamb and yearling slaughter levels this year have been smaller than expected based on the UDSA inventory numbers. Federally Inspected (FI) lamb and yearling slaughter for the month of August is estimated to be above a year ago based on weekly slaughter data but year-to-date slaughter down about 9%. Since peaking in May at 70 pounds, lamb and yearling dressed weights have seasonally declined to 67 pounds in July and held steady in August. Still, dressed weights are averaging much higher than the 60-pound average for August last year. FI lamb production for August is expected to be above a year ago levels due to larger weekly slaughter and dressed weights.

The large number of lambs on-feed in Colorado and heavier dressed weights has resulted in a backlog of slaughter ready lambs. This situation can increase the risk of over-finished lambs. Since January, the percent of lambs grading yield grade 3 has declined while the percentage of lambs grading yield grade 4 and 5 has increased. In July, of the total FI lambs graded, 23.4% were yield grade 4 and 9.2% were yield grade 5 compared to 17.1% and 3.9% respectively in January. The number of lambs on-feed in Colorado has been slowly declining but seasonally placements increase in the fall. As evidenced in the past, the longer it takes for the industry to become current, the greater the impact.

## Lamb Imports

Lamb imports totaled 23.8 million pounds (carcass weight basis) in June, 19% lower than last year’s record volume driven by smaller imports from Australia. Lamb imports seasonally decline in the summer with June imports this year down 6% from May. Mutton imports were down 58% from year ago in June. Total imports of lamb and mutton in June were down 28% from last year with the year-to-date import volume 9% higher. According to Meat and Livestock Australia, July imports are expected to be down from a year ago as the decline in U.S. demand is contributing to smaller import volumes.

## Cold Storage

The slowdown in lamb demand is starting to be reflected in rising cold storage levels yet. In July, lamb and mutton stocks increased 23% or 4.7 million pounds from last year to 25.8 million pounds, but still well below the five-year average of about 40 million pounds. Cold storage stocks may increase as more lambs move to market.

**Sheep and Lamb Prices**

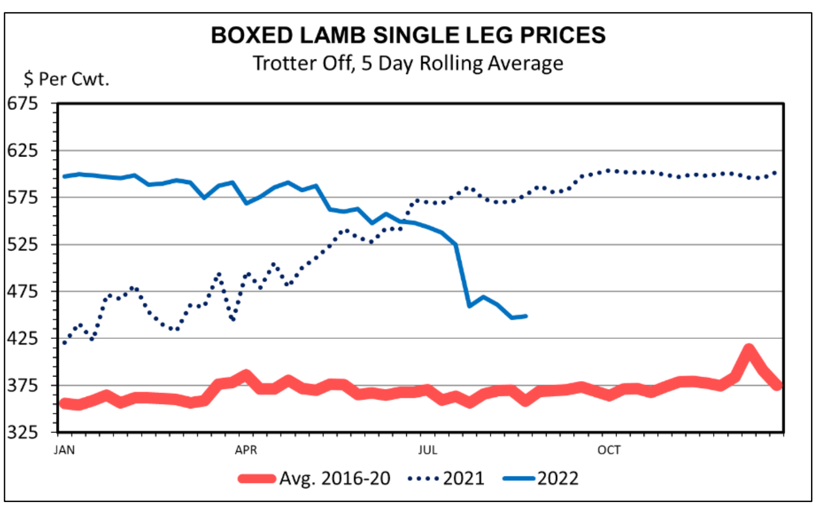
Feeder and slaughter lamb prices declined more quickly than expected reflecting market supply and demand conditions. At the onset of the summer, feeder lamb prices (average of Colorado, South Dakota, and Texas) were over $200 per cwt., by July prices declined to the high $150's per cwt. but gained some in August averaging in the mid-$160s per cwt. Direct sales on the Western Video Market ranged from $119 - $151 per cwt. for fall delivery. The National Negotiated Live Slaughter lamb price further declined in August, averaging in the mid $130's per cwt., $30 per cwt. lower than in July and about 50% lower than a year ago.

Wholesale lamb prices continued to lose value in August, with the National Lamb Cutout Value (Gross Carcass FOB, 5 Day Rolling Avg) at $578 per cwt., down $30 per cwt. from July and more than $100 per cwt. lower than a year ago. Wholesale values for the shoulder, rack, loin, and leg continued to decline in August and averaged below a year ago. On a monthly basis, the Foresaddle lost 4% in value from July to August, while the Hindsaddle declined over $30 per cwt. in August.

According to the July *Consumer Food Insights*, more Americans are seeking out sales and discounts, switching to generic brands, using coupons, cutting out nonessentials and shopping at cheaper stores. The latest Midan U.S. Quarterly Lamb Report for the second quarter shows retail lamb prices have increased, while volume sales have trended downward. Compared to the same 52-week period last year, dollar sales of lamb increased 5.9%, due to higher prices, as volume sales decreased 3.6%. For the same 4-week timeframe last year, dollar sales and volume sales of lamb decreased 6.8% and 11.3%, respectively. The report noted consumers are purchasing more value cuts and grinds from the meat case in response to higher prices.

**Looking Ahead**

Declining wholesale lamb prices should translate to lower retail prices, increasing the quantity of lamb demanded while moderating inflation and further declines in fuel prices should be supportive to consumer purchasing power. The large supply of lambs on-feed in Colorado, high feeding costs, and reduced forage production will continue to impact live lamb prices. The Livestock Marketing Information Center is forecasting 2022 sheep and lamb prices to move lower this year as prices adjust to market conditions.




*Source: USDA Agricultural Marketing Service, Compiled by LMIC*