

## LAMB MARKET SUMMARY – FEBRUARY ISSUE

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The economic landscape continues to present challenges as while inflation and interest rates remain high so does consumer spending with consumer debt reaching record levels. Even as unemployment figures remain low, high prices and expectations for the Federal Reserve to proceed with raising interest rates will test demand recovery for lamb in 2023. The annual sheep inventory report released by USDA's National Agricultural Statistics Service (NASS) suggests live lamb and meat prices will benefit from the supply-side, but uncertainty remains on the demand side.

### Retail Trends

The best demand time of the year for the lamb market is approaching with expectations for seasonal featuring of lamb in weekly retail circulars to increase leading-up to the April holidays. Based on retail circular prices published by USDA's Agricultural Marketing Service (AMS), the retail lamb feature price averaged \$9.16 per pound in February, the lowest average price since July with prices for featured cuts below a year ago except for legs and shanks. In February, featuring in weekly circulars averaged 9.1%, up from the 6.1% in January but a tad less than the 9.5% of the sampled stores in 2022.

The Meat Demand Monitor, which tracks U.S. consumer preferences, views and demand for beef and pork, provides some insights into the U.S. protein market. According to the latest report, the U.S. protein market is certainly "not out of the woods" regarding domestic demand concerns, but 2023 meat demand could be stronger than previously expected. Taste, freshness, price, and safety remain most important to consumers.

### Lamb and Mutton Trade

Strong U.S. lamb prices provided an attractive market for lamb imports in 2022 with lamb imports 5.2% larger at 278.0 million pounds (carcass weight basis) in 2022. Imports from Australia increased 6.2% to 207.8 million pounds, while imports from New Zealand were marginally higher at 64.9 million pounds in 2022. Mutton imports were down 19.6% to 80.1 million pounds, which resulted in total lamb and mutton imports 1.6% smaller at 358.1 million pounds for 2022. Softer consumer demand and lower domestic prices should limit import volumes in 2023.

Lamb and mutton exports totaled 5.83 million pounds, 68% higher than in 2021 and the largest volume since 2019. Lamb exports at 530 thousand pounds (carcass weight basis) increased 11.2% in 2022 while mutton exports rebounded with volumes 77% higher on an annual basis. Export volume growth was driven by stronger demand in the Caribbean, with year-over-year gains in export volumes to Mexico, Canada, the Philippines, and Taiwan. Lamb exports as a percent of lamb and mutton production was 4.5% in 2022.

### Cold Storage

Cold storage stocks tend to increase in preparation for the spring holidays and provide a glimpse into product movement. Frozen stock levels have steadily declined since September when stock levels

reached a two-year high. In January, lamb and mutton cold storage stocks totaled 26.5 million pounds, a 38,000-pound monthly decline but 21% larger than the prior year.

## Sheep and Lamb Prices

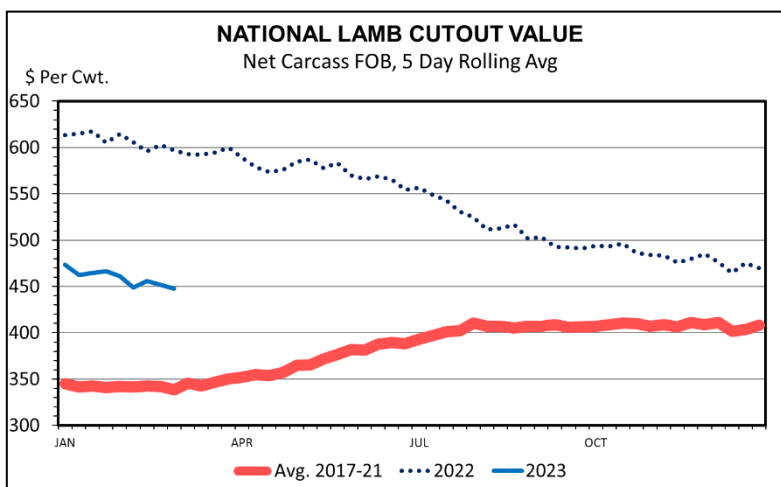
Feeder lamb (60 – 90 pounds) volumes were light across the major auction markets in February due to weather with average prices reported at Newell, SD higher than prior months at \$180 per cwt. In early March, feeder lambs sold on the Western Video Market were in the \$146 - \$191 per cwt. range with lightweight lambs at the top end of the range. Lightweight slaughter lambs sold at auction markets serving the ethnic market reported stronger prices in February with prices surpassing \$300 per cwt. at New Holland, PA. The National Negotiated Live Slaughter Lamb price hovered around \$130 per cwt. for most of February, with prices climbing to \$138 per cwt. for the week ending March 3<sup>rd</sup>.

Wholesale lamb prices continued to adjust downward in February, with modest declines from January but notable declines in value across all cuts compared to 2022. Prices are still strong relative to pre-pandemic levels as consumers are still demanding American lamb, however the margin is narrowing. The National Lamb Cutout Value (Gross Carcass FOB, 5 Day Rolling Avg) averaged \$5.28 per pound in February compared to \$5.40 the month prior and below the \$6.67 per pound a year ago. The loin (1x1) was about 30% lower than a year ago at \$9.68 per pound, followed by the shoulder at \$3.56 per pound down 26%, leg (trotter-off) down 22% at \$4.59 per pound, while the rack (8-rib medium) averaged 17% lower.

## Looking Ahead

Looking into 2023 and 2024, there are three main factors the Livestock Marketing Information Center (LMIC) is expecting to affect the forecast for sheep and lamb inventory levels and prices: 1) drought and feed, 2) lamb demand, and 3) lamb imports. Sheep and lamb slaughter levels are expected to be about even with 2022 at just under 2.1 million head. In 2024, sheep and lamb slaughter are forecast to decline less than 1%, which is based on the expectations for a 1% decline in the breeding flock and a steady lambing percentage for a lamb crop just below 3.1 million head on January 1, 2024.

Feeder and slaughter lamb prices in 2023 and 2024 are expected to track closer to pre-pandemic levels. Feeder lamb prices (3-market average CO, SD, & TX) are forecast to be \$181 - \$189 per cwt. in 2023 with minimal gains in 2024 to \$181 - \$193 per cwt. Slaughter lamb prices (national negotiated live) are forecast to range from \$137 - \$145 per cwt. depending on the quarter with prices improving to the \$145 - \$157 per cwt. range in 2024.



Source: USDA Agricultural Marketing Service, Compiled by LMIC