

LAMB MARKET SUMMARY – JUNE ISSUE

JULY 7, 2023

The first half of 2023 has seen some changes in the sheep and lamb market relative to a year ago. Tighter lamb supplies driven by lighter lamb weights, smaller imports, and less lambs on-feed are helping to support prices from the supply side of the market. Many regions of the U.S. have recovered from severe drought conditions, while the remaining drought-stricken areas are improving. The economy has remained resilient as economic growth was stronger in the first quarter than forecasted, with real personal disposable income 3.5% higher in May than a year ago. Inflation has declined from a peak of 9.1% but remains more than double the pre-pandemic average and well above the Federal Reserve's 2% target rate. Lower oil and natural gas prices have eased the pressure on consumers budgets and is boosting their confidence.

Lamb Supplies

January through May lamb and yearling slaughter totaled 726,000 head, 7% larger than a year ago but 35,800 head smaller than in 2021. Based on weekly data, slaughter is expected to be 1 – 2% higher in June versus last year. The higher slaughter levels this year are being offset by lighter lamb weights, which have averaged about 3 – 4 pounds lighter. As a result, lamb production during the first half of this year is about 2% smaller compared to a year ago and around 9% smaller than 2021.

During the first half of 2022, the average number of lambs on-feed in Colorado was 168,000 head, nearly 55,800 head more head than the same 6-month period in 2021. This was due to a slowdown in marketings of slaughter-ready lambs in response to a decline in consumer demand for lamb. So far this year, the average number of lambs on-feed in Colorado feedlots is at 105,860 head, which is down about 40% from last year. As of July 1st, the number of lambs on-feed in Colorado feedlots totaled 48,685 head, the smallest monthly on-feed number since August 2020.

Lamb in cold storage increased 2% in May from April and is 13% higher year-over-year. Cold storage stocks tend to seasonally increase during the summer and while stocks are averaging above a year ago, levels are well below the 2017 – 2021 average.

Lamb and Mutton Trade

Lamb imports totaled 17.8 million pounds (carcass weight basis) in May, 2.5 million pounds more than in April due to an increase in imports from Australia. Compared to last year, lamb imports were down 29% or 7.4 million pounds and 12% smaller than in 2021. May import volumes from both Australia and New Zealand were below a year ago, down 21% and 43%, respectively. Imports of mutton were 46% or 3.8 million pounds smaller than May a year ago. For the month of May, lamb and mutton imports totaled 21.6 million pounds compared to 32.2 million pounds last year with year-to-date imports 19% lower than a year ago. Softer demand in the U.S. market has constrained lamb imports this year, despite a stronger U.S. dollar.

Retail Trends

Consumers are still facing higher prices, but prices have declined from the record levels seen in 2022. In June, the average price of all lamb cuts published in the USDA Agricultural Marketing Service (AMS) retail featuring report was \$8.26 per lb, \$2.00 per lb less than in May and 16% lower than a year ago. The American Farm Bureau's annual Fourth of July market basket survey showed that while consumer's holiday cookout cost significantly more than two years ago, prices have fallen slightly from last year's record highs. According to WATTPoultry, there is an incentive in the foodservice and retail sector to feature more chicken because beef remains more expensive. Could this trend provide an opportunity for American lamb, as beef prices are expected to remain high in response to declining beef supplies.

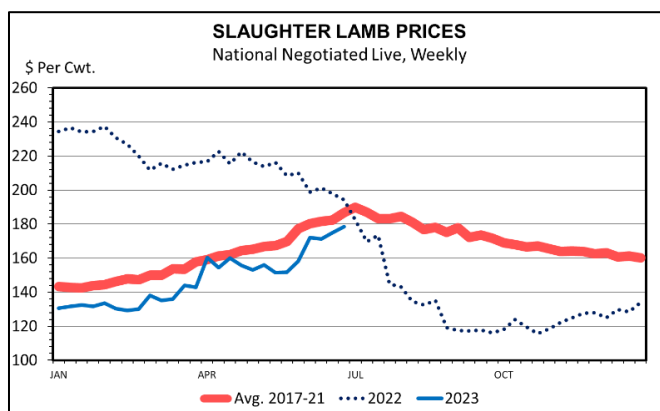
Sheep and Lamb Prices

Prices for feeder lambs sold on video markets in June ranged from \$187 per cwt. for 90 lb fall delivery lambs to the low \$200's per cwt. for June delivery lambs weighing 90 – 112 lbs. Auction prices for feeder lambs sold in Colorado, South Dakota, and Texas averaged \$184 per cwt. in the first half of the year, still a \$100 per cwt. lower than a year ago. Slaughter lamb prices have been steadily climbing this year, with prices hitting \$178 per cwt. in late June gaining about \$48 per cwt. since the start of the year. As of late June, prices were nearing year-ago levels and should continue to seasonally climb in July. Expectations for lower corn prices based on the recent USDA Acreage Report, should be supportive to live lamb prices.

In the first half of 2023, the National Lamb Cutout Value averaged \$523 per cwt., down from \$651 per cwt. for the same period in 2022, and about \$20 per cwt. higher than in 2021. Wholesale prices for shoulders, loins and legs have declined the most in value this year with prices by mid-year averaging at or below 2021 price levels. In June, the cutout value averaged \$510 per cwt., down from \$626 per cwt. a year ago. Loins (trimmed 4x4) averaged \$630 per cwt. in June versus \$848 per cwt. in 2022, with racks (8-rib medium) down 24% followed by shoulders (down 18%) and legs (down 16%). Declining wholesale values relative to increasing slaughter lamb prices has resulted in a narrowing of the live to cutout spread this year.

Looking Ahead

The Federal Reserve is expected to continue to increase interest rates to combat inflation as the momentum in economic activity has been stronger than anticipated. Tight labor markets have fueled wage gains and consumer spending, complicating the efforts to control inflation. While consumers continue to adapt to the economic environment there is still much uncertainty for the balance 2023.



Source: USDA Agricultural Marketing Service, Compiled by LMIC