

## LAMB MARKET SUMMARY – MAY ISSUE

JUNE 7, 2023

Consumers seem to be managing the current economic environment as recent indicators show robust consumer spending, low unemployment, and a stabilizing housing market. However, mixed signals and uncertainty remain as to what direction the economy is headed this year. While monthly price increases have moderated relative to last year, consumers are still facing higher prices with the Consumer Price Index (CPI) for April 4.9% higher than a year ago. The question is – are consumers getting used to high inflation and are the changes they made in response going to continue.

### Lamb Supplies

Lamb and yearling slaughter numbers are running above a year ago, however lighter lamb weights have offset production levels. Year-to-date Federally Inspected (FI) lamb and yearling slaughter is about 6% larger than a year ago, but 7% smaller when compared to the 2017 – 2021 average. Lamb production so far this year is only about 1 to 2 percent larger due to lower lamb weights. The number of lambs on-feed in Colorado feedlots totaled 65,296 head on June 1<sup>st</sup>, 72,500 head less than 2022 and 23% smaller than in April. Supplies of lamb in cold storage at the end of April were even with a year ago.

### Lamb and Mutton Trade

In April, lamb imports totaled 15.3 million pounds (carcass weight basis), 8.9 million pounds or 37% lower than a year ago and 20% smaller than in 2021. Import volumes from both Australia and New Zealand were below a year ago in April, down 42% and 23%, respectively. Mutton imports at 4.5 million pounds were up 27% from last year. For April, lamb and mutton imports totaled 19.9 million pounds which was down 29% from 2022 and is the smallest monthly volume since February 2021.

Australia and New Zealand have accounted for 98% of lamb imports this year. The remaining 2% are sourced from Chile, Canada, Uruguay, and Mexico. Imports from the United Kingdom have been small, with 56,500 pounds imported since last fall and 8,000 pounds imported from Ireland in March.

According to Mercado, the U.S. has been Australia's biggest market since 2020. However, this year export volumes to the U.S. have declined 23% for the first five months due to softer demand with the U.S. share of total Australian exports falling to 20%. This year is much different than last year when the U.S. market was driving Australian exports and exports prices. As a result, more Australian lamb has found its way to the Middle East and China as exporters look for other markets.

### Retail Trends

The lamb industry involves the farm production level, followed by a series of margin sectors – finishing, processing and the retail, food service and export markets. Prices adjustments at each sector are related but can vary in terms of scale and timing. Prices at retail tend to adjust less and more slowly than at the producer farm level.

According to the USDA Agricultural Marketing Service (AMS) retail featuring report, featuring declined in May as expected following the spring holiday season. In May, 9.7% of retail store circulars featured lamb, 1.3% more than a year ago and higher than the 7% of stores in 2021 and 2020. The average price of all lamb cuts published in the retail featuring report increased from \$8.00 per lb in April to over \$10.00 per lb. in May, driven by higher prices for racks, loin chops, legs, and ground lamb.

Consumer sentiment as reported by the University of Michigan declined 7% in May in response to concerns about the direction of the economy, with notable declines for middle-income consumers and those in the Western region. Interestingly, survey responses indicated concerns that any recession will have long-term impacts, while expectations for stable incomes are supporting current spending.

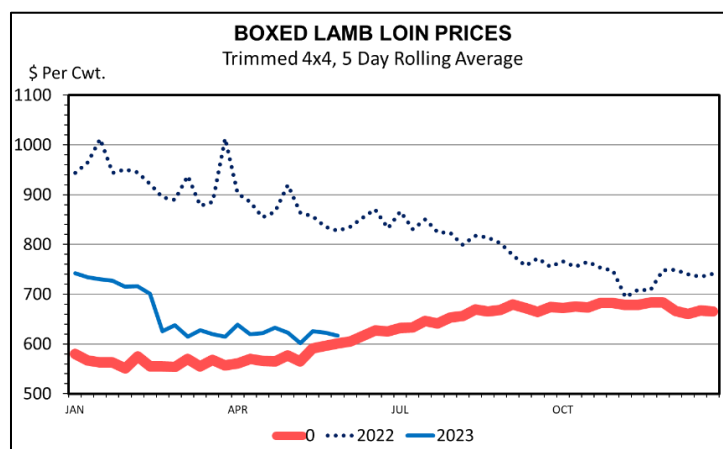
### Sheep and Lamb Prices

Prices for feeder lambs sold on video markets in May ranged from \$170 to \$185 per cwt. with auction prices published for 60 – 90 lbs. feeder lambs (average of Colorado, South Dakota, and Texas) seasonally declining in May with an average of \$177 per cwt. across the three markets. Slaughter lamb prices appear to be following a more normal trend with prices slowly increasing going into the summer months. After hitting \$160 per cwt. in April the National Negotiated Live Slaughter Lamb price declined into May and then climbed to \$158 per cwt. in late May.

The National Lamb Cutout Value averaged \$520 per cwt. in May a tad higher than in April, but overall still gradually adjusting lower this year. The cutout value has lost about \$124 per cwt. in value since last year and is the lowest monthly value since April 2021. The largest year-over-year declines were for loins down 29%, followed by shoulders (down 22%), legs (down 19%), and racks (down 16%). Wholesale price for some cuts such as shoulders and loins have adjusted to the price levels seen prior to the run-up in prices in late 2020.

### Looking Ahead

Inflation and the pandemic resulted in consumers making significant changes to their purchasing habits such as buying less, opting for value-priced cuts, switching to lower priced proteins, and cooking more at home. All these changes combined with continued tightening of the money supply and mixed economic indicators for the months ahead has made figuring out today’s lamb consumer a little more challenging.



Source: USDA Agricultural Marketing Service, Compiled by LMIC