

Analysis & Comments

Livestock Marketing Information Center

State Extension Services in Cooperation with USDA

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www.lmic.info

Sheep and Lamb Situation and Outlook

Like most livestock sectors in 2020 the impacts of COVID-19 have been challenging and the sheep and lamb industry is no exception. Disruptions from the pandemic led to lower slaughter levels during the second quarter, and the closure of a major slaughter facility in July has plagued the industry for most of 2020. Additional slaughter plant capacity is anticipated to alleviate slaughter disruptions from 2020. A new facility in Brush, CO is coming online with another slated to reopen in San Angelo, TX, both bringing new dynamics to the sector. The global pandemic will continue to be at the forefront for the sheep and lamb industry going into 2021. Recovery of the economy will be critical for the industry to recoup demand, which will be vital as the industry is expected to see improved production for 2021 and 2022.

The Challenges of 2020

Sheep and Lamb Market Recap for 2020

Prior to the onset of COVID-19, weekly sheep and lamb slaughter was tracking at similar levels to 2019. As the first quarter came to a close and the pandemic took hold, slaughter plunged from 40,751 head in late-March to 28,937 head in two weeks, a 29.0% drop. A critical time for the industry leading up to peak demand at the Easter holiday season. It would take the industry another six weeks to recover and reach above similar levels to the prior year. By that time Easter had already past along with much of the key demand season. Through the rest of the summer months slaughter levels tracked similar to 2019 until July.

In late July, the U.S. sheep industry was dealt a blow with the bankruptcy, sale, and subsequent closure of the Mountain States Rosen (MSR) slaughter facility located in Greeley, CO. As a result, the plant was sold to neighboring, and prior owner, JBS USA Holdings, Inc., which has transitioned the site into further beef processing. The MSR plant was the second largest lamb processing facility in the U.S. with a reported processing capacity of 6,000 head per week and about 350,000 head per year. Although the plant was reportedly operating at a lower throughput, closure of the plant limited options for producers to process their lambs. Following the MSR plant closure in July, average weekly slaughter has been about 4,000 head lower per week, an average decline of 10.4% each week. The impact is also demonstrated in year-to-date weekly slaughter which is tracking 6.9% lower than the same period through November.

As the MSR lamb slaughter facility closed another state-of-the-art facility, Colorado Lamb Processors (CLP) in Brush, CO, is nearing full operation. The operational capacity of the

CLP plant is reported to be about 1,800 head per day. Since mid-August, weekly slaughter was ranging between about 32,000-36,000 head, but since mid-October the range has increased to about 35,000-38,000 head. Although the slaughter numbers are still below prior year's levels, they do give an indication that the CLP facility is processing more sheep and lambs. A sign that they are gearing up to process lambs in time for the Easter Holiday which is April 4, 2021. Double J Meat Packing based in Colorado purchased a slaughter facility that had been idle for nearly 15 years in San Angelo, TX. The facility is expected to come online in the near future with a reported capacity around 2,000 head per day. Both the San Angelo, TX and CLP plant should offset some of the loss from the MSR plant closure.

Slaughter Lamb Price Reporting

Weekly slaughter lamb prices (national direct, hot carcass) have not been reported by USDA since the week ending July 31, 2020 due to confidentiality guidelines imposed by the Agricultural Marketing Service. The closure of the MSR facility has led to wide sweeping implications for price reporting. The concern is that these prices will remain unreportable indefinitely. The opening of both the CLP and San Angelo plants will not guarantee prices are reported again. Confidentiality guidelines will need to be met each week on each item. The lamb industry has already seen challenges associated with meeting the Livestock Mandatory Price Reporting confidentiality guidelines, and the events this year have made it even more difficult to meet the requirements.

Feeder and Slaughter Lamb Prices

The 3-market average (CO, TX, and SD) weekly feeder lamb prices started off the year above 2019 levels but once the pandemic occurred prices quickly dropped and remained low through most of the summer. Typically, prices are the highest at the start of the year and then taper off during the summer before a slight increase during the fourth quarter. Going into the fourth quarter this year feeder lamb prices have taken an upward trend due to stronger prices reported in Sioux Falls, SD where prices have ranged from \$220 to \$250 per cwt since the start of October. The strong increase late in the year gives support to demand for placement of feeder lambs. Monthly Colorado lambs on feed has been tracking very similar to last year and the five-year average. Feeder lamb prices are expected to finish the year up 21.4% with an annual price range from \$183 to \$187 per cwt.

As discussed previously, the weekly National direct carcass slaughter lamb price has not been reported since the end of July due to not meeting confidentiality requirements. The Sioux Falls, SD weekly slaughter lamb price (wooled, 110-130 lbs.) is reporting strength in prices during the fourth quarter, easily surpassing last year and the five-year average. This is a good indication that demand is likely remaining strong given the slaughter disruptions and plant closures that have occurred this year. Slaughter lamb prices are expected to improve in the fourth quarter but will finish the year with annual prices ranging from \$245 to \$250 per cwt, down

13.9% which is due mainly to a nearly 30% drop in prices during the second and third quarters, respectively.

Trade: Lamb Imports Lower for 2020

Year-to-date lamb and mutton imports through the first three quarters of the year are up 12.2% to nearly 231.5 million pounds (carcass weight). Most of the gain in imports has come from a three-fold increase in mutton shipments that occurred during the first quarter. Mutton imports have since moderated back to more typical levels. Lamb imports are down 7.2% through September totaling 155.7 million pounds. Australia and New Zealand are the primary lamb suppliers with a market share of 76.8% and 21.6%, respectively, through the first three quarters. Shipments from both suppliers are down through September. Australia lamb prices and improved drought conditions have provided a base for herd rebuilding, leading to even smaller lamb supplies available. Australia's Bureau of Meteorology outlook is forecasting above average rainfall in December to February, which should help support herd rebuilding. U.S. imports will be an item to watch in the coming months, because if domestic supplies are unable to meet demand then increased shipments may occur prior to Easter. Lamb and mutton imports for 2020 are expected to reach 290 million pounds with both 2021 and 2022 imports forecast at 272 million pounds, respectively, which is similar to prior levels over the last three years.

Outlook

Much of the outlook surrounding the sheep and lamb industry depends on the post-pandemic recovery of the economy. Many of the issues that have plagued 2020 will likely continue into the first part of 2021. COVID-19 continues to remain front and center, and at the time of this writing cases in the U.S. have started to rise leading to varying degrees of restrictions. Some states have started to once again impose restrictions on capacity levels at restaurants which is a concern for the lamb industry as this will likely limit consumer demand.

The supply of lambs on feed remains at similar levels indicating that the industry is positioning for the Easter holiday season. The timing of both the CLP and San Angelo Plants will be critical to meet the coming supply of market ready slaughter lambs in feed yards. This will be key at the start of 2021 leading up to Easter demand. Matching the timing of demand and supply could continue to be difficult given the domestic slaughter situation and outlook trends for the supplies available in primary U.S. suppliers of lamb. COVID-19 is also expected to provide an uncertain demand profile at least in the first half of 2021. However, trends are expected to return to normal seasonal patterns in late 2021.

Sheep and lamb slaughter for 2020 is expected to finish the year down 3.5% at 2.241 million head, the lowest level since 2016 (2.238 million head). Weights have also moderated slightly lower (down 1.8%) for the year which will push lamb production down 5.3% to 140.7 million pounds. As the issues of 2020 pass, 2021 is forecast to see improved slaughter numbers with a 1.4% increase to 2.272 million head and combined with a marginal improvement in

weights (up 0.8%) will give lamb production a 2.1% boost to 143.7 million pounds. Similar growth is forecast for 2022 with slaughter up 1.2% to 2.3 million head and lamb production climbing an additional 2.3% to 147 million pounds.

Feeder lamb prices are expected to remain at similar levels to prior years ranging from \$177 to \$187 per cwt in 2021 and \$177 to \$192 per cwt in 2022. Forecasting slaughter lamb prices has proven difficult as there has not been a national price reported. The current LMIC forecast expects lamb prices to remain at moderate levels. Timing of the new lamb plants opening and consumers gathering for Easter remain two key drivers in the short term. For now, LMIC is keeping slaughter lamb prices as a forecast, but should slaughter lamb prices not return, it would be unwise to continue making projections that are never validated by reported prices. Those current forecasts are \$238 to \$248 per cwt in 2021 and \$239 to \$255 for 2022.

**QUARTERLY COMMERCIAL SHEEP AND LAMB SLAUGHTER, PRODUCTION,
PER CAPITA LAMB DISAPPEARANCE AND LAMB PRICES ^a**

11/30/20
7.705

Year Quarter	Comm'l Slaughter (1,000 Head)	% Chg. from Year Ago	Average Dressed Weight (Lbs.)	% Chg. from Year Ago	Comm'l Lamb Production (Mil. Lbs.)	% Chg. from Year Ago	Per Capita Consump- tion (Retail Wt.)	% Chg. from Year Ago	Sl. Lambs Natl. Direct Carc. Weight ^b (\$/Cwt.)	% Chg. from Year Ago	Lamb 3-Market Avg Live 60-90 lbs ^c (\$/Cwt.)	% Chg. from Year Ago
2016												
I	543	1.3	70	-0.0	38.0	1.3	0.29	17.1	275.69	-9.7	201.39	-3.2
II	571	1.4	69	-1.1	39.2	0.3	0.26	0.6	263.61	-8.5	193.37	-1.2
III	558	0.3	65	-2.7	36.0	-2.4	0.23	9.0	301.03	0.9	178.34	-4.2
IV	566	-0.4	65	0.7	37.0	0.3	0.26	-2.4	298.70	-1.5	166.86	-7.1
Year	2238	0.6	67	-0.8	150.2	-0.1	1.05	5.8	284.76	-4.7	184.99	-3.8
2017												
I	533	-1.9	70	-0.2	37.2	-2.1	0.32	9.4	273.50	-0.8	211.90	5.2
II	548	-4.1	65	-5.1	35.7	-8.9	0.26	-2.3	315.75	19.8	222.01	14.8
III	538	-3.5	65	1.4	35.2	-2.2	0.24	3.5	327.03	8.6	170.90	-4.2
IV	559	-1.1	66	1.4	37.1	0.3	0.27	1.2	284.56	-4.7	166.04	-0.5
Year	2178	-2.7	67	-0.7	145.2	-3.3	1.08	3.1	300.21	5.4	192.71	4.2
2018												
I	546	2.5	70	0.7	38.4	3.2	0.32	-1.1	262.46	-4.0	214.43	1.2
II	564	2.9	68	5.1	38.6	8.1	0.26	0.1	276.30	-12.5	194.68	-12.3
III	558	3.7	66	1.4	37.0	5.1	0.29	20.2	281.87	-13.8	144.64	-15.4
IV	597	6.8	66	-1.1	39.2	5.7	0.27	2.4	271.17	-4.7	156.08	-6.0
Year	2265	4.0	68	1.5	153.2	5.5	1.13	4.8	272.95	-9.1	177.46	-7.9
2019												
I	546	-0.0	67	-4.7	36.6	-4.7	0.33	3.9	264.96	1.0	187.94	-12.4
II	621	10.1	65	-5.7	40.1	3.9	0.28	9.8	292.13	5.7	173.41	-10.9
III	571	2.4	62	-6.0	35.6	-3.8	0.24	-17.6	297.77	5.6	165.42	14.4
IV	584	-2.3	62	-5.5	36.2	-7.7	0.29	8.2	295.37	8.9	182.53	16.9
Year	2322	2.5	64	-5.5	148.5	-3.1	1.14	0.8	287.56	5.4	177.33	-0.1
2020												
I	534	-2.3	65	-2.7	34.8	-4.9	0.35	7.4	295.34	11.5	214.52	14.1
II	570	-8.3	64	-1.5	36.2	-9.7	0.25	-10.5	204.84	-29.9	169.32	-2.4
III	555	-2.8	61	-2.4	33.8	-5.1	0.27	16.2	207.79	-30.2	168.66	2.0
IV ^d	582	-0.2	62	-0.7	35.9	-0.9	0.25	-16.0	275-280	-6.0	185-190	2.7
Year	2241	-3.5	63	-1.8	140.7	-5.3	1.13	-1.2	245-250	-13.9	183-187	21.4
2021												
I ^e	539	0.9	66	1.7	35.7	2.6	0.32	-9.4	235-240	-19.6	176-182	-16.6
II	585	2.7	64	1.4	37.7	4.1	0.28	11.6	230-237	14.0	177-184	6.6
III	565	1.8	60	-0.7	34.2	1.0	0.23	-16.9	245-255	20.3	178-187	8.2
IV	583	0.2	62	0.6	36.2	0.7	0.26	4.1	247-258	-9.0	181-192	-0.5
Year	2272	1.4	63	0.8	143.7	2.1	1.09	-3.6	238-248	-1.8	177-187	-1.6
2022												
I	543	0.7	67	1.6	36.5	2.3	0.30	-5.0	230-243	-0.4	177-188	2.0
II	590	0.9	65	1.1	38.4	1.9	0.29	2.0	236-250	4.1	178-191	2.2
III	576	2.0	61	1.2	35.2	3.2	0.26	14.7	249-264	2.6	177-192	1.1
IV	591	1.4	62	0.4	36.8	1.7	0.26	-0.9	244-260	-0.2	179-196	0.5
Year	2300	1.2	64	1.0	147.0	2.3	1.11	1.9	239-255	1.6	177-192	1.4

a/ Totals may not add due to rounding.

d/ Estimated quarter

b/ Slaughter lamb prices are formula purchases on a dressed weight basis.

e/ Forecasted quarters

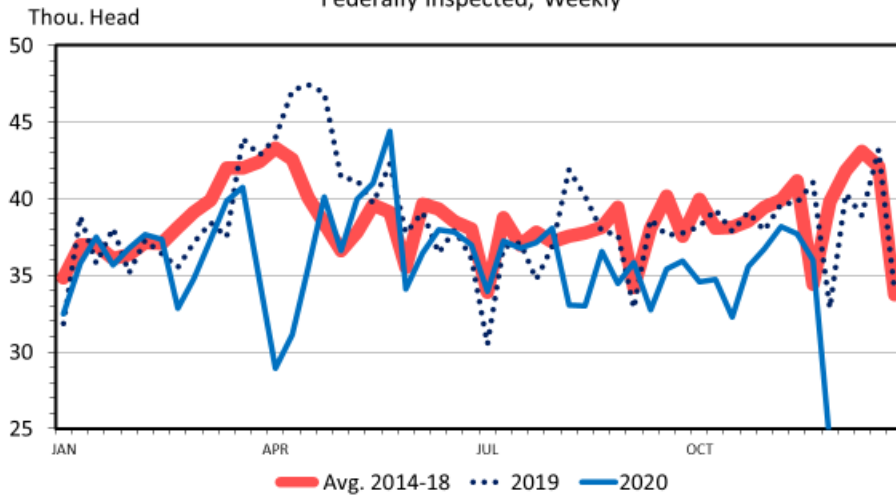
c/ Feeder Lamb Prices are a three market (CO, SD, & TX) average; live weight basis.

Sources: Livestock Slaughter - USDA Publications; Lamb Prices - USDA Livestock Market News; Forecasts - LMIC Projections

Note: Third and fourth quarter of 2020 Slaughter Lamb prices are calculated from incomplete weeks of data due to confidentiality.



SHEEP & LAMB SLAUGHTER Federally Inspected, Weekly

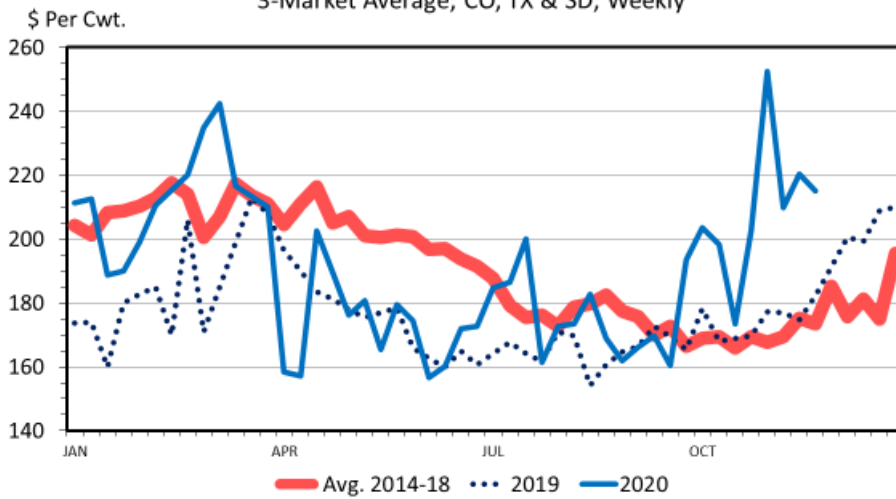


Data Source: USDA-AMS & USDA-NASS
Livestock Marketing Information Center

S-S-00
11/27/20



FEEDER LAMB PRICES 3-Market Average; CO, TX & SD; Weekly

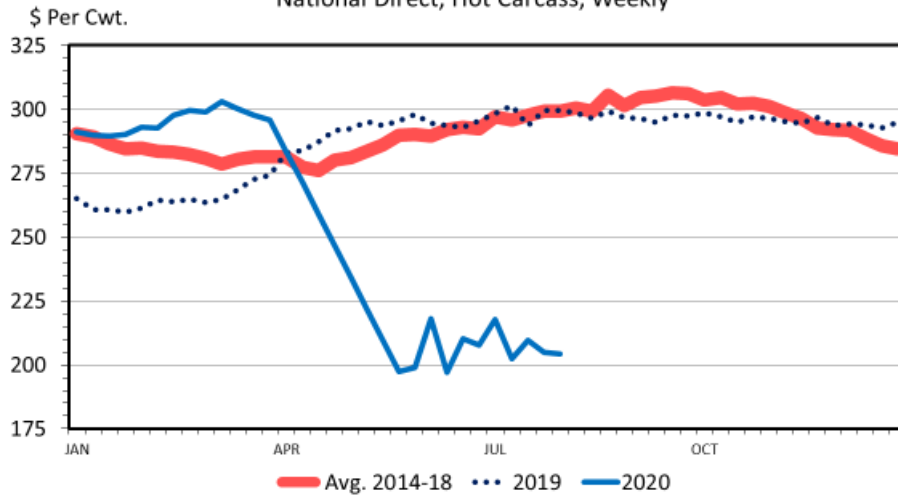


Data Source: USDA-AMS, Compiled by LMIC
Livestock Marketing Information Center

S-P-06
11/23/20



SLAUGHTER LAMB PRICES
National Direct, Hot Carcass, Weekly

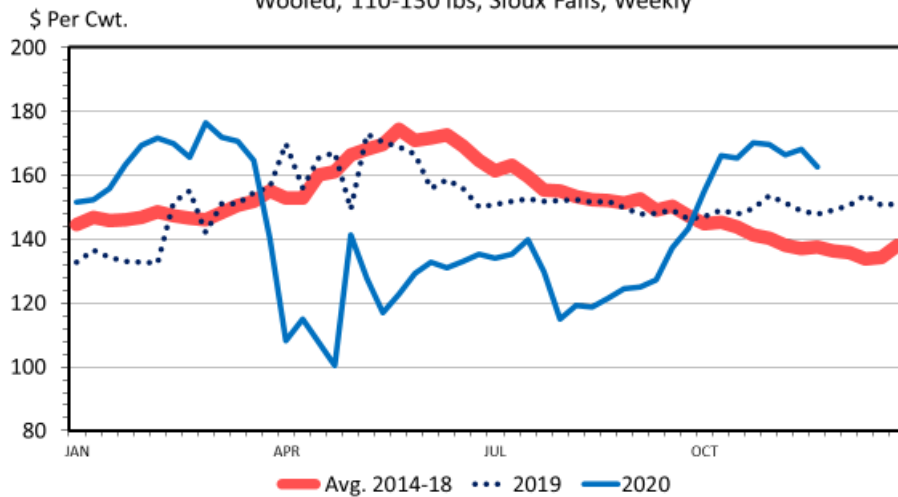


Data Source: USDA-AMS, Compiled by LMIC
Livestock Marketing Information Center

S-P-03
11/23/20



SLAUGHTER LAMB PRICES
Wooled, 110-130 lbs, Sioux Falls, Weekly

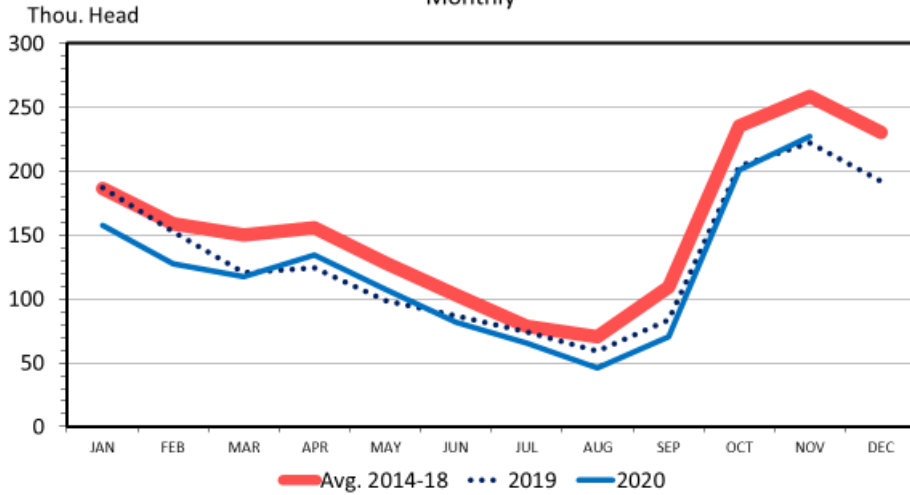


Data Source: USDA-AMS
Livestock Marketing Information Center

S-P-05
11/23/20



COLORADO LAMBS ON FEED
Monthly

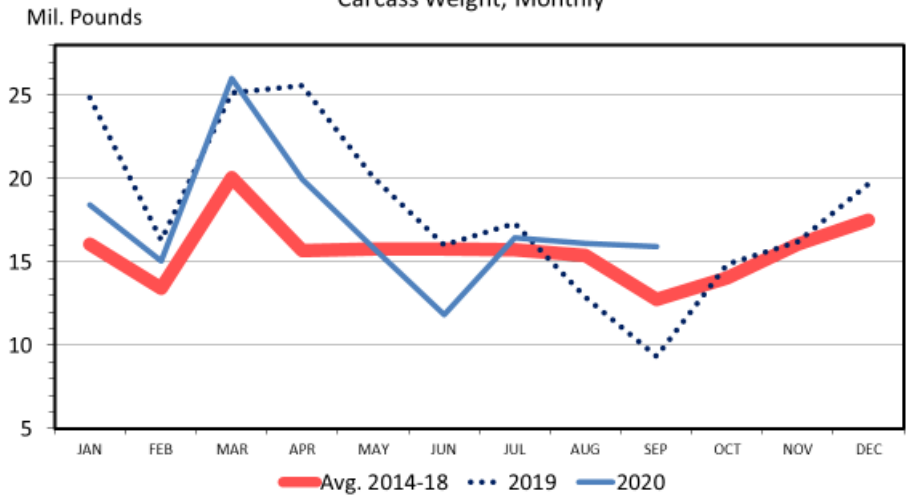


Data Source: USDA-AMS
Livestock Marketing Information Center

11/4/2020



US LAMB IMPORTS
Carcass Weight, Monthly



Data Source: USDA-ERS & USDA-FAS
Livestock Marketing Information Center

IH-44
11/05/20