



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

The sheep and lamb industry saw prices reach historic levels in 2021. Feeder and fed lamb prices will likely remain elevated into 2022 but are expected to moderate slightly lower in 2023. The lamb cutout value reached a record in early-August 2021 supported by record prices for the shoulder, leg, loin, and rack. In 2021, commercial sheep and lamb slaughter is set to increase about 1% over the prior year. Much of the growth in 2021 was due to substantial increase in mature sheep slaughter to some of the highest levels in nearly a decade. Increased mature sheep slaughter is expected to result in smaller breeding herd inventory levels for 2022 and 2023. Smaller lamb crops will likely lead to tighter domestic supplies of lamb, keep lamb prices elevated, and import levels high. Lamb and mutton imports should also hit record levels for 2021, driven by record lamb prices and exceptional domestic lamb demand in 2021. Moving forward demand will be critical for the sheep and lamb industry but elevated prices could be a headwind to demand in the near term. Lamb production is forecast to improve marginally in the coming years, but robust demand will likely support feeder and fed lamb prices in 2022 and 2023.

Drought in Western U.S.

Much of the sheep and lamb producing regions of the U.S. have been gripped with persistent drought for over a year now. For the Western region, USDA NASS reported range and pasture conditions in the poor and very poor categories were some of the worst on record. Typically, for the Western region, poor and very poor range and pasture conditions start the year just below 20% and climb to nearly 40% by the end of the year. In 2021, over 50% of the range and pasture conditions in the Western region were rated poor and very poor and conditions approached 70% during the summer months but finished the season at about 57%.

Deteriorating range and pasture conditions in 2021 led to lower available feed supplies and climbing hay prices. Alfalfa hay prices for the 2021/22 crop year ranged from \$194-\$213 per ton with other hay prices ranging from \$140-\$152 per ton, both well above historical levels. As of this writing, data for December 1 hay stocks was not available. Based on prices and available data, hay stocks will likely remain tight into 2022, especially for the Western region. Continued stress on range and pastures along with limited hay supplies will likely keep hay prices above typical levels.

Sheep and Lamb Inventory and Slaughter

Sheep and lamb production in 2021 is proving to be a better year for the industry than a year ago. In 2020, the industry was plagued by pandemic related disruptions, the start of drought in the Western U.S. and the loss of slaughter capacity. As the industry turned the page into 2021, sheep and lamb slaughter saw a steady rise and will likely finish the year about 1% above 2020.

Yearling slaughter is tracking about even with a year ago while mature sheep slaughter is accounting for most of the increase in total sheep and lamb slaughter. Through mid-December mature sheep slaughter was up a substantial 25% from the same period in 2020. Typically, mature sheep slaughter accounts for about 5%-6% of weekly sheep slaughter on average, based on the five-year average (2015-19). In 2021, weekly mature sheep slaughter accounted for over 7% of total slaughter on average with some weeks ranging from a low of 5% to a high of 10%.

The January 1 sheep and lamb inventory statistics are scheduled for release from USDA NASS on January 31st, 2022, but indications are that inventory levels will likely be down from the prior year. The higher rate of mature sheep slaughter is a good indication that the breeding flock will likely be down from 2020. Lower inventory levels at the start of 2022 should be price supportive for the industry in the near term.

Sheep and Lamb Prices

Record lamb prices contributed to the strong pace of slaughter in 2021. The 3-Market (CO, TX, SD) average feeder lamb price has averaged about \$266 per cwt for 2021 and spiked to a record level of \$342 in February. Every week of 2021 saw the feeder lamb price above 2020 levels except for the first week of March when the price dipped to \$230 which was also the lowest price for the year. Slaughter lamb prices (National Negotiated Live) started 2021 at \$154 per cwt and quickly rose 74% (\$114) to a record price of \$268 the first week of August. Since the peak level, prices fell about \$34 (13%) to \$234 per cwt which was still more than 40% above 2020's prices.

Wholesale lamb values were historic in 2021 with record levels having been set within the last five months of the year and prices continue to remain elevated. In August, the shoulder price (Square Cut, 5 Day Rolling Average) jumped to a record of \$609, nearly double the prior year. Leg prices reached a record of \$604 per cwt in early October and have averaged about \$600 since the peak. The loin and rack both set record price levels in November at \$1,074 and \$1,461 per cwt, respectively. The National Lamb Cutout value (Gross Carcass FOB, 5 Day Rolling Avg) rose 66% (\$255) since the start of the year to a record value of \$639 per cwt in early-August and since that point has averaged \$624.

Lamb Imports

The final tally for trade data for 2021 will not be released until early February. Through the first eleven months of available data for 2021, lamb and mutton imports were nearly 334 million pounds (carcass weight), up 21% from the same period in 2020. Year-to-date lamb and mutton

imports for 2021 have already surpassed the record annual total of 302 million pounds set in 2020. Lamb imports through eleven months of 2021 have already reached a record level at 245 million pounds, up 28% from the prior year. The prior record for annual lamb imports was in 2019 which were nearly 219 million pounds. Shipments from Australia rose 25% through November and accounted for three-quarters of the total shipments. New Zealand accounted for 24% of total shipments through eleven months of 2021 with year-to-date shipments increasing 39% from 2020. Mutton imports were up 6% through November to 89 million pounds which surpassed the annual record of 88 million pounds in 2020. Year-to-date mutton shipments from both Australia and New Zealand were up 2% and 34%, respectively. The record lamb prices in 2021 likely gave an economic incentive for key supplies of Australia and New Zealand to increase shipments levels which contributed to the record pace for lamb and mutton imports in 2021.

Demand and American Lamb Board: Lamb Consumer Survey

Growth in slaughter levels has likely been spurred by the record setting lamb prices this year which has been driven by exceptional domestic demand in 2021. Per capita lamb consumption is expected to be over 1.3 pounds per person for the year which would be the highest level since the early 1990's. As lamb prices reach record levels, will demand remain strong? A recent survey by the American Lamb Board highlighted growing trends in lamb consumption and recommendations to further consumption.

In October 2021, The American Lamb Board conducted a Lamb Consumer Survey in an effort to understand U.S. consumer's knowledge, perceptions, and use of lamb. From the survey, three main purchasing groups were identified, heavy, moderate, and light. Heavy lamb purchasers were skewed towards being college-educated millennials with families making over one hundred thousand dollars a year and live in urban areas. The moderate and light purchasers had similar demographics but were slightly older with a marginally lower income. Across the three purchaser groups the primary reason for buying lamb was because it is part of their regular eating routine, a craving or impulse to eat lamb, a recipe called for lamb, and for a holiday or special occasion.

Survey results suggested that purchasing behavior among the lamb groups had evolved with about two-thirds indicating they have bought lamb online, but a majority indicated that they still buy lamb from health stores, supercenters, or club stores. When purchasing lamb, the heavy purchase group typically bought leg chops while moderate and light purchasers more commonly bought loin chops. A positive consensus across the lamb purchasers was that lamb is associated with a unique flavor, images of special occasions, and cultural food roots.

The conclusions and recommendations from the report showed that improved lamb consumption is linked to the availability of more lamb cuts in grocery stores year-round and not just near the holidays. This would be critical for the moderate lamb purchaser's category which makes up

over half (51%) of lamb eaters surveyed. Creating more opportunities for moderate lamb purchasers to consume lamb more often than their typical behavior of once a month would further support demand for lamb. Along with creating more opportunities to purchase lamb would be increasing lamb offerings at restaurants and making it more readily available to all consumers. The survey also noted that ensuring a quality product would also bolster demand.

LMIC Sheep and Lamb Forecast

LMIC is expecting 2021 sheep and lamb slaughter to increase about 1% to 2.25 million head with 2022 and 2023 forecast to remain level or increase marginally. Dressed weights moved slightly lower in 2021 to 61 pounds which led to an almost 1% decline in lamb production. Weights are expected to improve marginally in 2022 leading to a slight increase in lamb production to 137.8 million pounds. Lamb production in 2023 is forecast to grow 1.3% to 139.6 million pounds based on a 1.1% rise in dressed weights. Per capita lamb consumption is expected to decline over the next two years to 1.28 and 1.17 pounds per person per year. Although lamb production is forecast to improve marginally in the coming years, the increase will not offset the expected rise in population leading to lower per capita consumption.

The forecasted tighter supplies for 2022 and robust demand are expected to support feeder and fed lamb prices. Feeder lamb prices are forecast to remain elevated and increase about 2% with a range of \$271-\$283 per cwt. A marginal rebound in supplies in 2023 will lead to feeder lamb prices moving slightly lower by about 6% to \$250-\$270 per cwt. In 2022, fed lamb prices are forecast about 6% higher to \$222-\$237 per cwt. Slightly higher slaughter levels and improved dressed weights will lead to a 3% decline in fed lamb prices to \$213-\$233 in 2023.

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

01/05/22
7.705

Year	Comm'l	% Chg.	Average	% Chg.	Comm'l	% Chg.	Per Capita	% Chg.	Sl. Lambs	% Chg.	Lamb	% Chg.
Quarter	Slaughter	Year Ago	Dressed	Year Ago	Lamb	Year Ago	Consump-	Year Ago	Natl. Direct	Year Ago	3-Market Avg	Year Ago
	(1,000 Head)		Weight		Production		tion		Live Weight ^b		Live 60-90 lbs ^c	
			(Lbs.)		(Mil. Lbs.)		(Retail Wt.)		(\$/Cwt.)		(\$/Cwt.)	
2017												
I	533	-1.9	70	-0.2	37.2	-2.1	0.32	8.9	133.01	-2.1	211.90	5.2
II	548	-4.1	65	-5.1	35.7	-8.9	0.26	-2.8	166.83	18.4	222.01	14.8
III	538	-3.5	65	1.4	35.2	-2.2	0.24	3.5	171.35	5.3	170.90	-4.2
IV	559	-1.1	66	1.4	37.1	0.3	0.27	2.3	136.03	-4.6	166.04	-0.5
Year	2178	-2.7	67	-0.7	145.2	-3.3	1.08	3.1	151.81	4.3	192.71	4.2
2018												
I	546	2.5	70	0.7	38.4	3.2	0.32	-1.3	136.73	2.8	214.43	1.2
II	564	2.9	68	5.1	38.6	8.1	0.26	0.4	154.51	-7.4	194.68	-12.3
III	558	3.7	66	1.4	37.0	5.1	0.28	19.6	146.49	-14.5	144.64	-15.4
IV	597	6.8	66	-1.1	39.2	5.7	0.27	1.7	134.48	-1.1	156.08	-6.0
Year	2265	4.0	68	1.5	153.2	5.5	1.13	4.4	143.05	-5.8	177.46	-7.9
2019												
I	546	-0.0	67	-4.7	36.6	-4.7	0.33	4.2	136.52	-0.2	187.94	-12.4
II	621	10.1	65	-5.7	40.1	3.9	0.28	10.0	155.58	0.7	173.41	-10.9
III	571	2.4	62	-6.0	35.6	-3.8	0.24	-17.0	155.50	6.2	165.26	14.3
IV	584	-2.3	62	-5.5	36.2	-7.7	0.29	8.2	151.22	12.4	182.53	16.9
Year	2322	2.5	64	-5.5	148.5	-3.1	1.14	1.1	149.70	4.7	177.29	-0.1
2020												
I	535	-2.1	65	-2.6	34.9	-4.6	0.36	9.7	159.63	16.9	214.57	14.2
II	570	-8.3	64	-1.6	36.2	-9.7	0.26	-8.8	139.68	-10.2	169.32	-2.4
III	559	-2.0	61	-2.5	34.0	-4.5	0.30	28.1	135.82	-12.7	168.44	1.9
IV	562	-3.8	59	-4.4	33.3	-8.0	0.29	-0.2	165.01	9.1	214.87	17.7
Year	2225	-4.1	62	-2.8	138.4	-6.8	1.22	6.4	150.04	0.2	191.80	8.2
2021												
I	539	0.8	65	-0.2	35.1	0.6	0.28	-23.4	165.09	3.4	276.45	28.8
II	593	4.0	61	-4.6	35.9	-0.8	0.36	38.6	212.97	52.5	261.91	54.7
III	546	-2.4	58	-4.5	31.7	-6.8	0.35	15.2	257.46	89.6	258.17	53.3
IV ^d	571	1.7	61	2.6	34.7	4.3	0.36	22.3	233.50	41.5	289.14	34.6
Year	2248	1.0	61	-1.7	137.4	-0.7	1.34	10.3	217.25	44.8	271.42	41.5
2022												
I ^e	539	-0.0	65	0.0	35.1	0.0	0.34	21.1	226-234	39.3	289-297	6.0
II	592	-0.2	61	0.3	35.9	0.1	0.33	-8.6	227-236	8.7	277-286	7.5
III	546	0.0	58	0.2	31.8	0.2	0.31	-10.1	227-237	-9.9	262-272	3.4
IV	573	0.4	61	0.3	35.0	0.7	0.31	-14.2	221-232	-3.0	259-270	-8.5
Year	2250	0.1	61	0.2	137.8	0.2	1.28	-4.3	222-237	5.8	271-283	2.2
2023												
I	540	0.2	66	1.0	35.5	1.2	0.29	-15.3	216-228	-3.5	264-276	-7.8
II	593	0.3	62	1.3	36.5	1.5	0.31	-5.2	217-230	-3.5	257-270	-6.4
III	546	0.1	59	1.0	32.1	1.1	0.28	-9.8	217-231	-3.4	247-261	-4.9
IV	574	0.2	62	1.1	35.4	1.3	0.29	-6.4	214-229	-2.2	243-258	-5.3
Year	2254	0.2	62	1.1	139.6	1.3	1.17	-9.3	213-233	-2.8	250-270	-6.1

a/ Totals may not add due to rounding.

d/ Estimated quarter

b/ Slaughter lamb prices are negotiated purchases on a live weight basis.

e/ Forecasted quarters

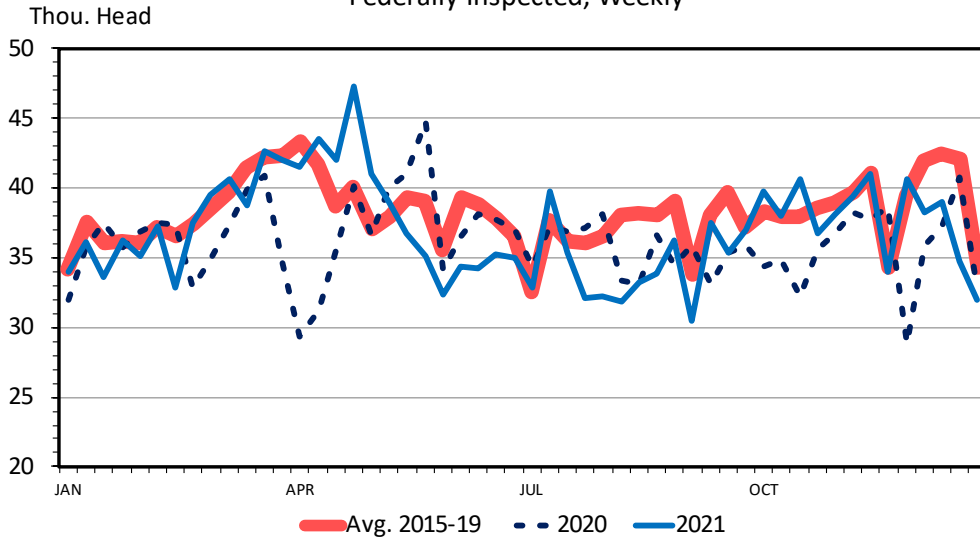
c/ Feeder Lamb Prices are a three market (CO, SD, & TX) average; live weight basis.

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

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



SHEEP & LAMB SLAUGHTER Federally Inspected, Weekly

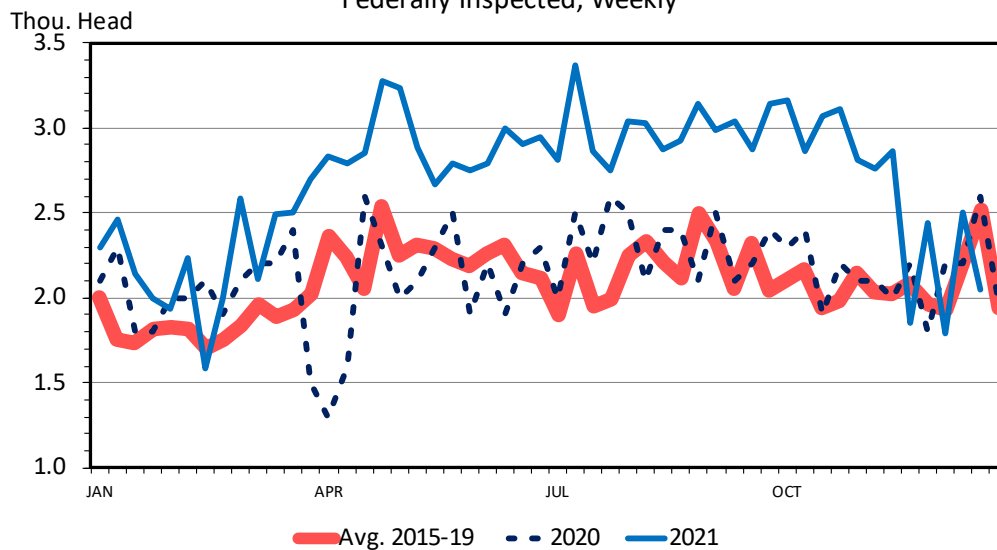


Data Source: USDA-AMS & USDA-NASS
Livestock Marketing Information Center

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MATURE SHEEP SLAUGHTER Federally Inspected, Weekly



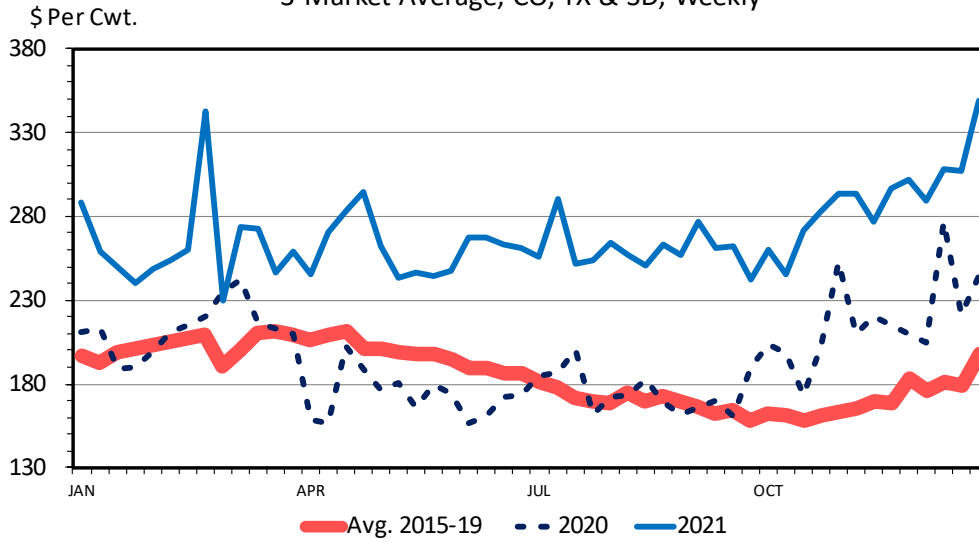
Data Source: USDA-AMS & USDA-NASS
Livestock Marketing Information Center

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FEEDER LAMB PRICES

3-Market Average; CO, TX & SD; Weekly



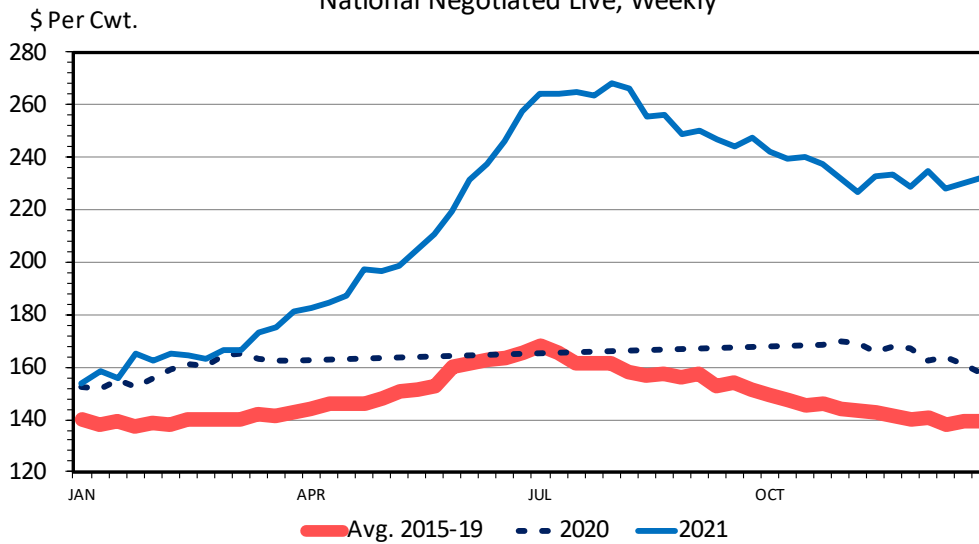
Data Source: USDA-AMS, Compiled by LMIC
Livestock Marketing Information Center

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SLAUGHTER LAMB PRICES

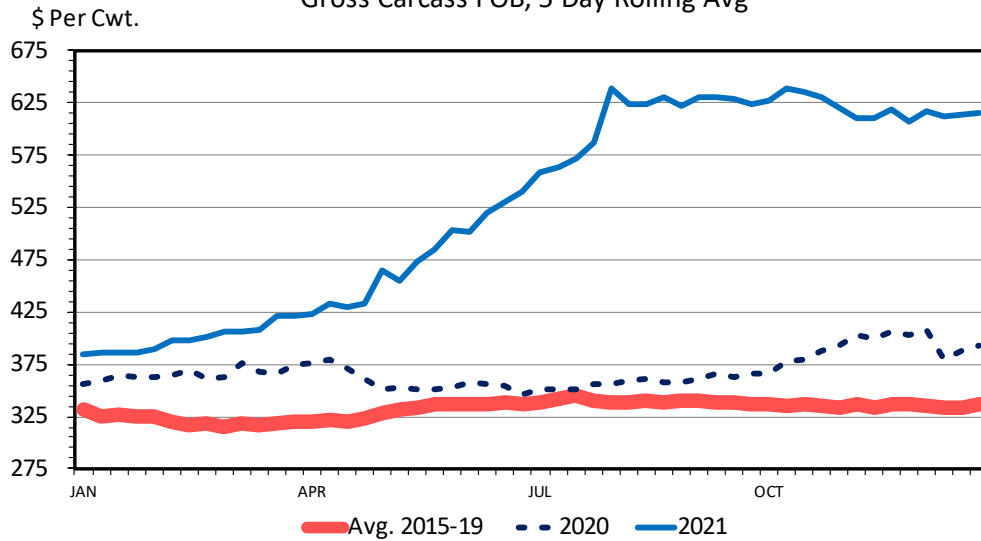
National Negotiated Live, Weekly



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



NATIONAL LAMB CUTOUT VALUE Gross Carcass FOB, 5 Day Rolling Avg

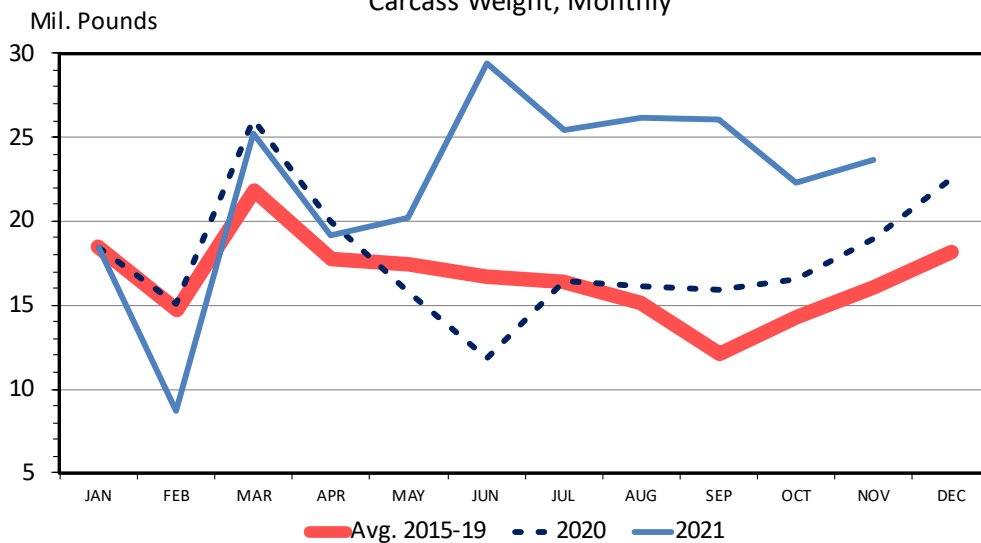


Data Source: USDA-AMS
Livestock Marketing Information Center

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01/07/22



US LAMB IMPORTS Carcass Weight, Monthly



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

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