Analysis & Comments

Livestock Marketing Information Center

State Extension Services in Cooperation with USDA

February 10, 2023
Letter #6

www.lmic.info

Sheep and Lamb: Situation and Outlook

The annual sheep inventory report was released by USDA NASS giving further insights into supplies of the U.S. flock. On January 1, 2023, all sheep and lambs totaled 5.020 million head, down 45,000 head or less than one percent (0.9%) continuing the marginal downward trend in supplies. The breeding sheep and lambs reported a decline of 45,000 head or 1.2% to 3.665 million head. The decline in the breeding flock was slightly above historical trends which have typically been just below a one percent decline. Looking further into the breeding flock, USDA NASS reported ewes one year and older at 2.870 million head, down 1.4% or 40,000 head. Replacement lambs were 635,000 head, down 5,000 head or less than one percent (0.8%). Ram inventories held steady at 160,000 head.

Market Lambs

From a year earlier, market lambs increased slightly by 0.2% (3,000 head) to 1.280 million head. Declines in the under 65 pounds and 65 to 85 pounds categories were more than offset by gains in the 85-105 pounds and over 105 pounds categories. Over 105 pounds market lambs were 483,000 head, up by less than one percent (0.8%) or four thousand head. The 85-105 pounds category increased 13,000 head (4.9%) to 279,000 head from last year. Lower levels were seen in the under 65 pounds and 65-85 pounds categories down 2.9% (10,000 head) and 2.1% (4,000 head), respectively, to 335,000 and 183,000 head. A three thousand head decrease in the number of market sheep to 75,000 head led to a total market sheep and lambs of 1.355 million head which is even with the prior year.

Lamb Crop and Lambing Percentage

The U.S. lamb crop fell by 1.6% or 50,000 head to 3.110 million head with California reporting the largest decrease of 25,000 head or 10.4% to 215,000 head. The Texas lamb crop fell five thousand head or 1.4% to 345,000 head while Wyoming decreased ten thousand head (4.2%) to 230,000 head. Colorado, Idaho, and Montana all had declines in their lamb crop of 5,000 head. South Dakota, Oregon, and Utah held steady with a year ago while Iowa, Kansas, Oklahoma, Missouri, and Minnesota saw gains from one to five thousand head. The national average lambing percentage tallied at 106.9 percent which is in line with the historical average over the last ten years and slightly better than last year’s 106.8.

Summary and Market Outlook

Taking a step back from the details of the report we can glean that supplies are still on a general decline with all sheep and lambs down 0.9% and a breeding flock 1.2% lower. Productivity, based on the lambing percentage of 106.9 percent is holding steady near the 107 percent average mark over the last ten years. Looking into 2023 and 2024, there are three main factors LMIC is expecting to influence the forecast for sheep and lamb inventory levels and prices: 1) drought and feed, 2) lamb demand, and 3) lamb imports.

1) **Drought and Feed**: Drought is expected to persist into 2023 with much of the western U.S continuing to grapple with drought effects on feed and forage supplies, especially hay. The latest Drought Monitor map released February 9, 2023, is showing D3 and D4 (Extreme and Exceptional Drought) stretching through a large portion of Kansas and Oklahoma. Pockets of D3 and D4 drought are also in parts of northern Montana, Iowa, Nebraska, Texas, Wyoming and even over to Nevada, Utah, and Oregon. The continued drought only worsened the hay supply situation. Nationally, December 1 hay supplies were down 9% from last year and more than 6% below the previous record low. Alfalfa production decreased 2.6% due to a record low number of harvested acres. A similar story can be said for other hay production which declined 8.6% due to smaller yields and lower harvested acres. The lower hay production has led to record hay prices which has limited available feed and forage which is expected to increase feed costs and potentially limit profitability in 2023 and 2024.

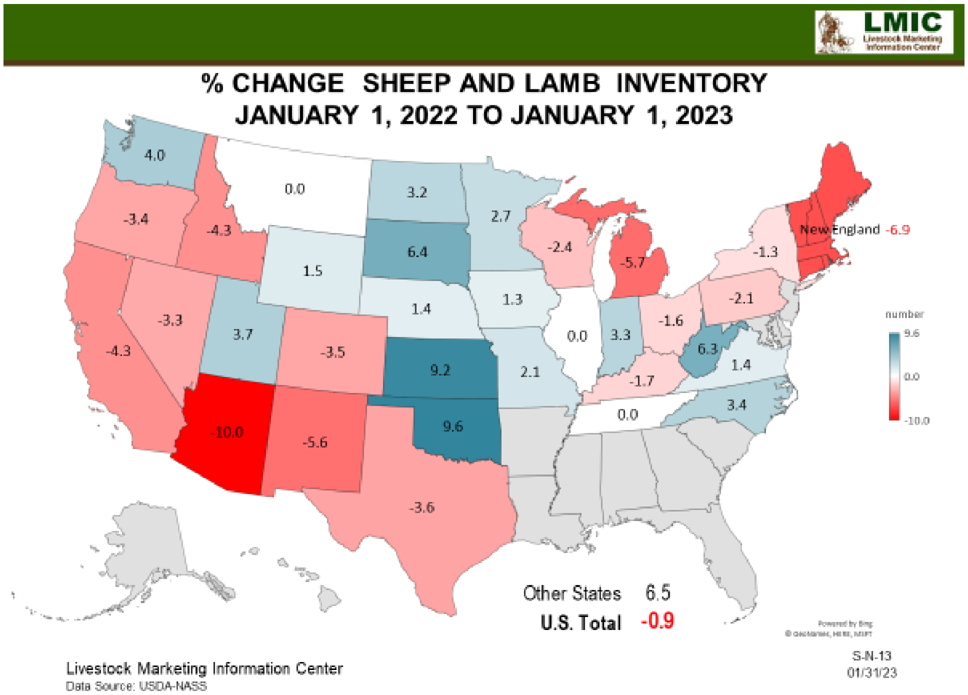
2) **Lamb Demand:** In 2022, per capita lamb consumption at the retail level was 1.28 pounds per person which is the second highest since the earlier 1990's, only behind 1.36 pounds per person in 2021. LMIC is expecting per capita lamb consumption to be about 1.27 pounds per person in 2023 and 1.23 pounds in 2024, largely based on stabilizing lamb demand, post-pandemic. While per capita consumption levels are expected to remain above 1.2 pounds per person, the lamb cutout value has also tracked above typical levels, an indication of lamb demand strength. At the start of 2022, the lamb cutout value was above typical levels at 618 per cwt but gradually moved lower to about $475 at the end of the year. At the start of 2023, the lamb cutout value has been averaging $465 per cwt, more than $100 above typical levels. Relative strength or weakness in the lamb cutout value moving through 2023 will be an indicator of lamb demand and a factor underlying slaughter and feeder lamb prices.

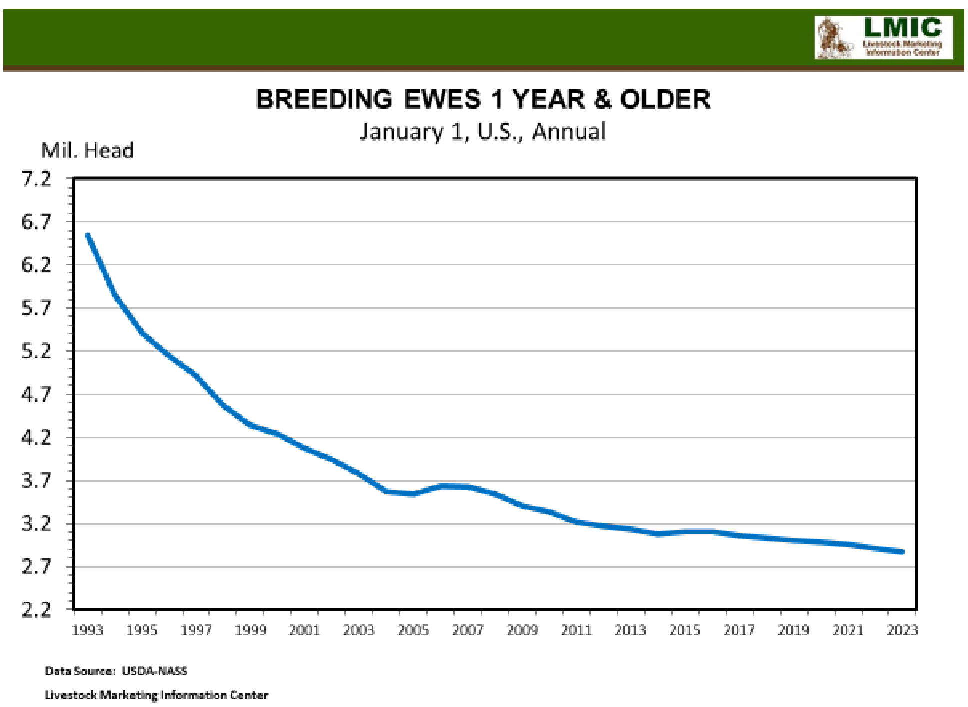
3) **Lamb Imports:** In 2022, total lamb imports were 278 million pounds, up 5.2% from last year. Australia accounted for three quarters (74.8%) of total lamb imports in 2022 at 207.5 million pounds, an increase of 6.2%. Imports from New Zealand increased by less than one percent (0.8%) to 64.9 million pounds, accounting for 23.4% of total imports last year. As of this writing, Australia was projecting record lamb production of 567,000 tonnes (1.25 billion pounds) in 2023 which they expect to flow into higher export levels. The U.S. market will likely be a destination that Australia will be looking to send lamb in 2023. This is expected to

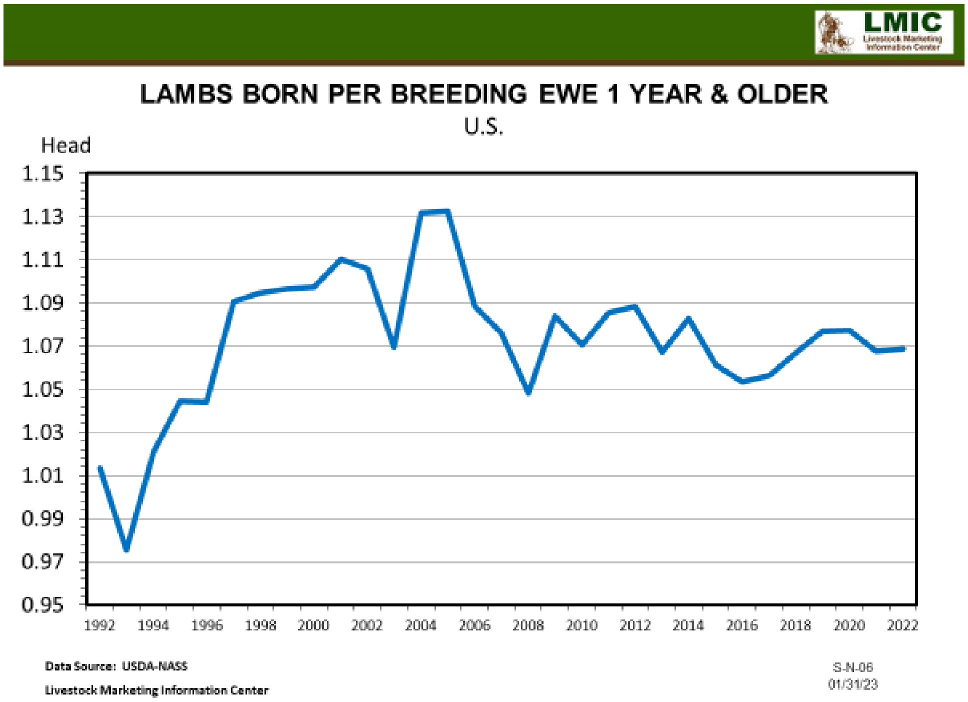
keep U.S. lamb imports in 2023 at a level similar to the 278 million pounds imported in 2022.

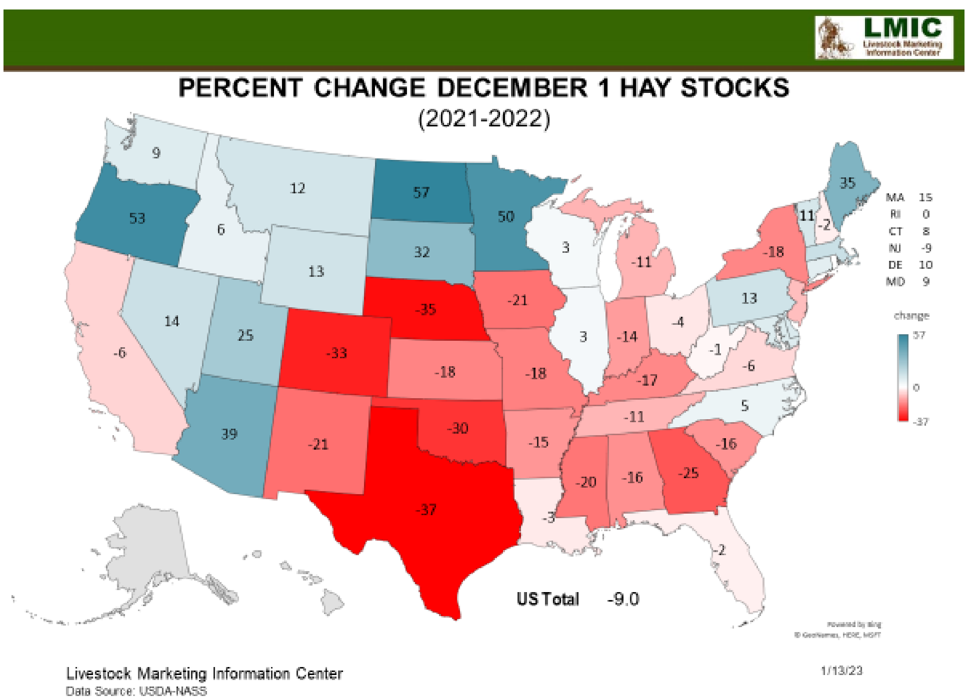
Based on the points discussed above, LMIC is forecasting sheep and lamb slaughter levels to hold about even with 2022 just under 2.1 million head. Producers are likely to continue facing drought related impacts which will drive production decisions. In 2024, sheep and lamb slaughter are forecast to decline less than one percent to just over 2.0 million head, which is based on the expectation that the breeding flock will decrease about one percent, but the lambing percentage will hold steady around 107 percent yielding a lamb crop just below 3.1 million head on January 1, 2024.

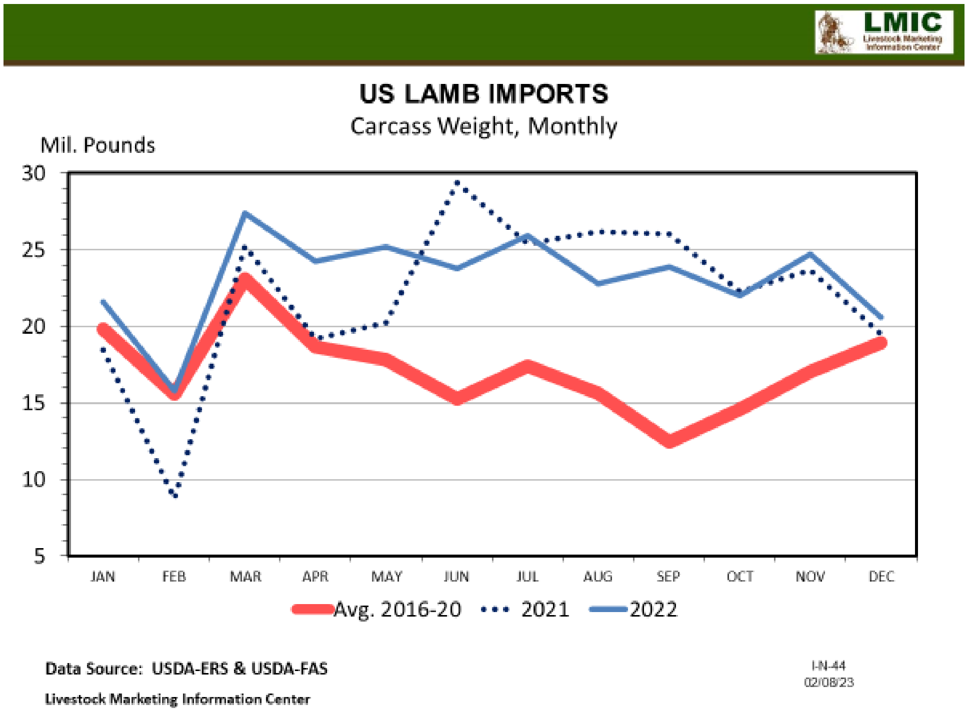
Feeder and slaughter lamb prices in 2023 and 2024 are expected to track closer to pre-pandemic levels. Feeder lamb prices (3-market average CO, SD, & TX) are forecast to be $181-$189 in 2023 with marginal improvements in 2024 to $181-$193 per cwt. Slaughter lamb prices (national negotiated live) are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

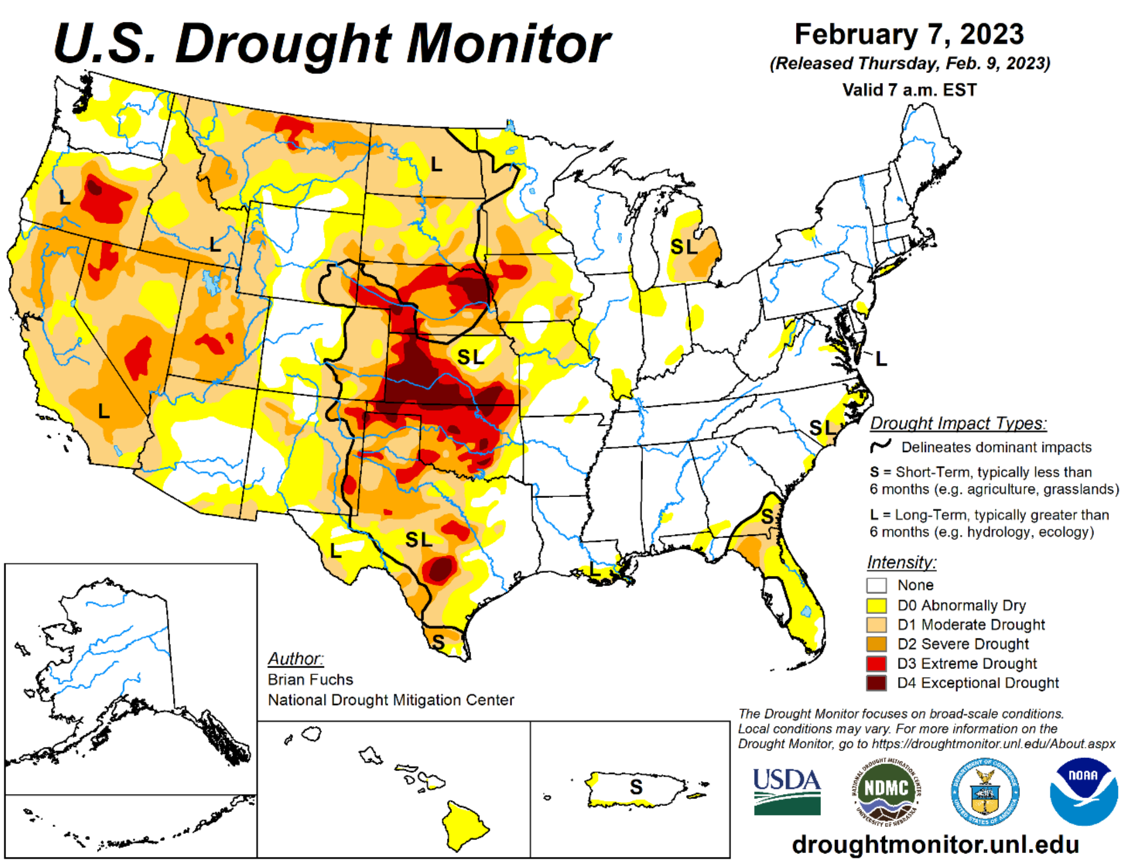

LMIC
Livestock Marketing Information Center
% CHANGE SHEEP AND LAMB INVENTORY
JANUARY 1, 2022 TO JANUARY 1, 2023
4.0
-3.4
-4.3
0.0
3.2
2.7
6.4
1.5
-2.4
-5.7
New England -6.9
-1.3
-4.3
-3.3
3.7
1.4
1.3
-2.1
-1.6
0.0
3.3
-3.5
9.2
2.1
6.3
1.4
-1.7
0.0
3.4
-10.0
-5.6
9.6
-3.6
number
9.6
0.0
-10.0
Other States 6.5
U.S. Total -0.9
Livestock Marketing Information Center
Data Source: USDA-NASS
S-N-13
01/31/23


LMIC
Livestock Marketing Information Center
BREEDING EWES 1 YEAR & OLDER
January 1, U.S., Annual
Mil. Head
7.2
6.7
6.2
5.7
5.2
4.7
4.2
3.7
3.2
2.7
2.2
1993
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017
2019
2021
2023
Data Source: USDA-NASS
Livestock Marketing Information Center


LMIC
Livestock Marketing Information Center
LAMBS BORN PER BREEDING EWE 1 YEAR & OLDER
U.S.
Head
1.15
1.13
1.11
1.09
1.07
1.05
1.03
1.01
0.99
0.97
0.95
1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020 2022
Data Source: USDA-NASS
Livestock Marketing Information Center
S-N-06
01/31/23


LMIC
Livestock Marketing Information Center
PERCENT CHANGE DECEMBER 1 HAY STOCKS
(2021-2022)
MA 15
RI 0
CT 8
NJ -9
DE 10
MD 9
change
57
0
-37
US Total -9.0
Livestock Marketing Information Center
Data Source: USDA-NASS
1/13/23


LMIC
Livestock Marketing Information Center
US LAMB IMPORTS
Carcass Weight, Monthly
Mil. Pounds
30
25
20
15
10
5
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
Avg. 2016-20
2021
2022
Data Source: USDA-ERS & USDA-FAS
Livestock Marketing Information Center
I-N-44
02/08/23


U.S. Drought Monitor
February 7, 2023
(Released Thursday, Feb. 9, 2023)
Valid 7 a.m. EST
Drought Impact Types:
Delineates dominant impacts
S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)
Intensity:
None
D0 Abnormally Dry
D1 Moderate Drought
D2 Severe Drought
D3 Extreme Drought
D4 Exceptional Drought
Author:
Brian Fuchs
National Drought Mitigation Center
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to https://droughtmonitor.unl.edu/About.aspx
USDA
NDMC
droughtmonitor.unl.edu

QUARTERLY COMMERCIAL SHEEP AND LAMB SLAUGHTER, PRODUCTION, PER CAPITA LAMB DISAPPEARANCE AND LAMB PRICES [a]

02/10/23
7.705

Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Lamb Production	% Chg. from Year Ago	Per Capita Consump-tion	% Chg. from Year Ago	Sl. Lambs Natl. Direct Live Weight[b]	% Chg. from Year Ago	Lamb 3-Market Avg Live 60-90 lbs[c]	% Chg. from Year Ago
	(1,000 Head)		(Lbs.)		(Mil. Lbs.)		(Retail Wt.)		($/Cwt.)		($/Cwt.)	
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	214.47	14.1
II	570	-8.3	64	-1.6	36.2	-9.7	0.26	-8.8	**139.68**	-10.2	169.21	-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	191.75	8.2
2021												
I	541	1.2	65	-0.0	35.3	1.1	0.28	-23.0	165.09	3.4	276.45	28.9
II	596	4.5	60	-4.9	36.0	-0.6	0.36	38.6	212.97	52.5	261.91	54.8
III	552	-1.3	58	-5.3	31.8	-6.5	0.35	15.3	257.46	89.6	258.17	53.3
IV	575	2.3	61	3.3	35.2	5.7	0.38	28.5	233.50	41.5	288.52	34.3
Year	2263	1.7	61	-1.7	138.3	-0.1	1.36	12.0	217.25	44.8	271.26	41.5
2022												
I	485	-10.4	65	-0.8	31.4	-11.0	0.31	12.4	224.17	35.8	325.13	17.6
II	535	-10.1	64	6.6	34.5	-4.2	0.33	-8.0	211.49	-0.7	257.34	-1.7
III	515	-6.8	64	10.3	32.7	2.8	0.31	-11.2	134.94	-47.6	161.46	-37.5
IV	524	-8.9	62	0.7	32.3	-8.2	0.33	-11.3	124.31	-46.8	191.45	-33.6
Year	2058	-9.1	64	4.0	130.9	-5.4	1.29	-5.5	173.72	-20.0	233.85	-13.8
2023												
I [d]	500	3.0	63	-2.0	31.7	0.9	0.32	3.1	135-138	-39.1	195-198	-39.6
II [e]	536	0.1	62	-4.3	33.0	-4.2	0.32	-2.1	141-145	-32.4	179-183	-29.7
III	510	-0.9	61	-3.4	31.3	-4.3	0.31	0.8	144-149	8.6	175-180	9.9
IV	518	-1.0	60	-2.3	31.2	-3.3	0.31	-7.7	136-142	11.8	180-186	-4.4
Year	2063	0.2	62	-3.0	127.3	-2.8	1.27	-1.6	137-145	-18.8	181-189	-20.9
2024												
I	494	-1.0	63	0.0	31.4	-1.0	0.31	-4.7	141-148	5.9	196-203	1.5
II	532	-0.7	62	-0.1	32.8	-0.7	0.31	-2.6	147-156	5.9	180-188	1.7
III	507	-0.6	61	-0.0	31.1	-0.6	0.30	-2.5	151-160	6.1	175-184	1.1
IV	516	-0.6	60	0.0	31.1	-0.5	0.30	-1.6	147-157	9.4	180-190	1.1
Year	2049	-0.7	62	-0.0	126.3	-0.7	1.23	-2.9	145-157	7.1	181-193	1.1

a/ Totals may not add due to rounding.
b/ Slaughter lamb prices are negotiated purchases on a live weight basis.
c/ Feeder Lamb Prices are a three market (CO, SD, & TX) average; live weight basis.
d/ Estimated quarter
e/ Forecasted quarters
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.