

- 2016 lamb prices weakened.
- Feeders at auction lost 4% in 2016.
- Live, negotiated slaughter lamb prices averaged \$145.4 per cwt. in 2016, down 5% annually.
- The net carcass value—wholesale composite less packaging and processing—averaged \$316.53 per cwt. in 2016, down 4 percent year-on-year.

2016 Available Lamb Supplies Expanded

In January through October 2016, total domestic and imported lamb was an estimated 274.6 million lbs., up 3 percent year-to-year. The imported share inched up 3 percent in the ten months through October to 56 percent of total supplies compared to the same period in 2015.

Recall that the import share can differ by market—grocery or foodservice—and the industry doesn't know what portion of freezer stock is imported product.

Lamb in federally-inspected harvest was up an estimated 1.3 percent in 2016 to 1.86 million head while production was down 0.3 percent to 127.8 million lbs. Harvest weights were an averaged 69 lbs. carcass weight, down 1.5 percent year-on-year.

Lamb imports January through last October totaled 153.6 million lbs., up 5 percent year-on-year. Australian imports were up 11 percent and New Zealand imports were down 5 percent.

Lamb and mutton in cold storage in December was down to about half its December 2015 volume. At 21.9 million lbs., stocks were down 26 percent monthly and down 51 percent annually.

Feeders Weakened in 2016

Sixty- to 90-lbs. feeder lambs at auction averaged \$185.55 per cwt. in 2016, down 4 percent year-on-year. San Angelo feeders hit \$180.53 per cwt., Ft. Collins lambs averaged \$183.77 per cwt., and Sioux Falls feeders saw \$191.64 per cwt.

In direct trade, feeders averaged \$158.19 per cwt. in 2016, down 2-percent annually and 5-percent higher than its 5-year average. Annual averages have been volatile with \$124 per cwt. in 2013 and \$177 per cwt. in 2014.

Slaughter Lamb Prices Lower in 2016

Live, auction prices for slaughter lambs averaged \$143.16 per cwt. in 2016, 3-percent lower year-on-year and unchanged from its 5-year average.

Live, negotiated slaughter lamb prices averaged \$145.49 per cwt. in 2016, down 5 percent annually.

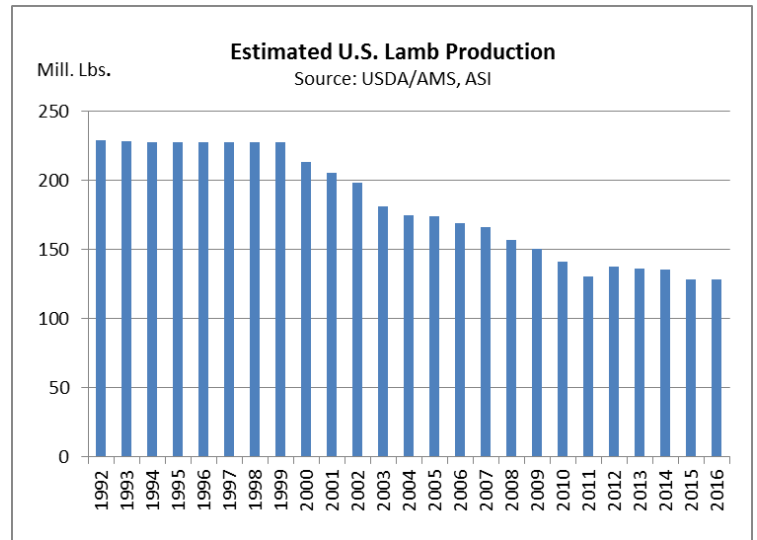
In the U.S. and Australia, December reports emerged of improved returns to lamb pelts. In the U.S., the highest quality Supreme unshorn pelts brought \$10.20 per piece in December, up 25 percent monthly. Lower quality pelts still fell into negative territory at the low end, but gained a footing on average.

The Livestock Market Information Center (LMIC) reported that 2016 lamb prices performed “better than expected across the board, given the large supplies of lamb in cold storage and larger output of competing meats, including beef and pork,” (12/16/16).

Lack of Price Reporting Adds Risk to Market

The last formula/grid price reporting occurred in late January 2016. In the remainder of the year, national formula slaughter lamb prices were only reported three times. In 2016, formula trade accounted for 20% of total federally-inspected harvest. Another 20% of the market was packer-owned slaughter.

Increased market transparency could raise lamb prices.



Meat Market Lower

The net carcass value—wholesale composite less packaging and processing—averaged \$316.53 per cwt. in 2016, down 4 percent year-on-year.

The net carcass value was pulled down by the lower rib and shoulder, but supported by the higher loin and leg. The 8-rib rack, medium, averaged \$695.55 per cwt., down 8 percent for the year while the shoulder, square-cut averaged \$287.14 per cwt., down 3 percent. The loin, trimmed 4x4, was up 2 percent to \$533.21 per cwt. and the leg, trotter-off, saw \$348.39 per cwt., up 1 percent.

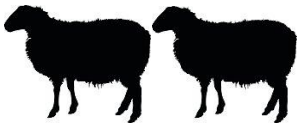
Two sub-primal racks lost value in 2016. The rack, roast-ready, frenched, averaged \$1,322.40 per cwt., down 8 percent for the year. The rack, roast-ready, frenched, special (cap-off) averaged \$1,770 per cwt., down 6 percent.

The U.S. lamb industry at retail held fairly strong in 2016 given possibly increased lamb supplies and lower-priced proteins. Two heavily featured retail items, the shoulder blade chop and the loin chop, saw an 8-percent drop between the early highs of 2015 and 2016, but both strengthened marginally through 2016. This suggests lamb demand is holding strong.

Industry Still Struggles with Overweight Lambs

Although prices are not reported for lambs priced on a formula/grid, the volume harvested by weight is still published. Last year the percent of lambs 95 lbs. and heavier by carcass weight was 12.1 percent, slightly higher than the 11.5 percent calculated in 2015 and sharply higher than the 2 percent average over the previous 5 years. This suggests that the industry still struggled with keeping weights down in 2016.

In the first half of 2016, yield grades 4s and 5s accounted for 30 percent of harvest, but dropped off to 17 percent in the second-half of the year through November. In general, yield grades 5s are less desirable with higher fat and light muscling (South Dakota State University).



Lamb Prices, \$ per cwt.

	Direct feeder lamb prices	Live, auction feeder lamb prices, 60-90 lbs.	Live, auction slaughter lamb prices	Live, negotiated slaughter lamb prices	Net carcass value (wholesale composite)
2011	\$197.23	\$213.21	\$172.22	\$177.69	\$362.49
2012	\$135.25	\$148.89	\$120.54	\$130.68	\$310.16
2013	\$123.94	\$141.07	\$119.28	\$125.38	\$265.81
2014	\$177.24	\$204.92	\$156.76	\$156.06	\$335.62
2015	\$161.54	\$192.38	\$146.92	\$145.63	\$328.26
2016	\$158.19	\$185.55	\$143.16	\$145.24	\$316.53

Source: USDA/AMS, ASI