



- Breeding ewe inventory contracted by 2% in 2016 to 3.035 million head.
- All sheep and lamb inventory was down 2% to 5.200 million head.
- Multiple factors can explain lower inventory numbers—retirement, predation, lack of market access, more profitable competing enterprises, regulatory changes, and prices.

Multiple factors can explain lower inventory numbers, prices topping the list. Any factor raising sheep production costs can squeeze producer margins if slaughter lamb prices are stagnant or falling, as has been the case in recent years. Predation or competing enterprises might explain reduced numbers in Texas. In the western states, the regulatory increases in sheepherder pay can help explain the contraction. Other operations lost grazing permits on national land – also raising costs.

Last year saw the third consecutive year of softer lamb prices. This factor alone can explain lower inventory numbers. Live, slaughter lamb prices at auction slipped 3% annually to \$143.16 per cwt. Live, negotiated prices averaged \$145.34 per cwt., down 0.3%. Feeder lamb prices at auction were down 4% to \$184.95 per cwt.

Lower lamb prices might be due to lower demand, which in turn was likely prompted by lower beef prices. Preliminary analysis at retail revealed that between 2015 and 2016 leg demand contracted while demand changes for the loin, rib, and shoulder were indeterminate.

In July 2015, the all-fresh beef price at retail hit a record high of \$615 per cwt., but tumbled by 11% by December 2016. According to a 2015 American Lamb Board lamb demand study, a 10-percent drop in beef prices at retail leads to a 27-percent contraction in lamb consumption.

Looking Ahead

In January, there were signs of lamb market strengthening. Higher pelt values may have contributed to the uptick. However, by early February it was clear that some markets have yet to find a footing. The net carcass value fell below \$300 per cwt. for the first time since late 2013. Beef industry expansion is slowing which might stem the slide in beef prices, and help support lamb price offerings to producers in coming months.

Total Sheep Numbers Down Amid Pockets of Growth

After a 1 percent expansion in 2014, the U.S. ewe inventory saw its second year of breeding ewe contractions in 2016.

In 2016, the 10 largest sheep states by breeding ewes accounted for 1.943 million head or 65 percent of the total U.S. breeding ewe inventory. Among the 10 largest sheep states, 2 expanded ewe numbers, 2 maintained, and six contracted.

While sheep numbers are down nationally, niche lamb markets face a growing demand from ethnic groups and foodies. In 2016 eight states saw breeding ewe inventory expand, gaining a total of 28,000 head year-to-year. Nevada saw the greatest growth of 8% to 43,000 head. Indiana, Nebraska, Michigan, Wyoming, Minnesota, California, and New Mexico also saw growth.

LMIC reports...

In response to the contraction in sheep numbers, the Livestock Marketing Information Center (LMIC) reported that the data suggests that “producers were very cautious in 2016 and lacked optimism to hold onto ewe lambs. At the forefront (to the contraction) were government policy/regulations regarding larger operations to maintain hired shepherds to manage flocks,” (2/7/2017).