

- ✓ **Domestic supplies are tight, yet not prompting the live lamb price rise that the industry saw in 2011.**
- ✓ **The wholesale cutout in the year through November was 10% higher year-on-year and 6% higher than the same period in 2015.**
- ✓ **Slaughter lamb prices at auction typically strengthen toward the end of the year, but have weakened recently.**

Live Lamb and Meat Market Mixed

Sixty- to 90-lb. feeders at auction averaged \$160.60 per cwt. in November, steady with October and 7% lower monthly. San Angelo prices hit \$166.50 per cwt., Ft. Collins averaged \$157.50 per cwt., and Sioux Falls averaged \$157.79 per cwt.

Slaughter lambs sold on formula, or grid, averaged \$284.63 per cwt. on a carcass bases averaging 77.33 lbs. Prices were up 3% monthly. On a live weight basis these lambs equaled about \$143.41 per cwt. at 153.50 lbs.

The wholesale composite averaged \$385.84 per cwt. in November, down 2% monthly and up 9% year-on-year. The net carcass value—after processing and packaging costs are deducted—averaged \$340.99 per cwt. All primals except for the rack saw values move lower in November.

The loin, trimmed 4x4, averaged \$579.46 per cwt., down 4% monthly and up 9% year-on-year. The shoulder, square-cut, averaged \$298.68 per cwt., down 5% monthly and up 2% year-on-year. The leg, trotter-off, saw \$354.76 per cwt., down 4% monthly and up 2% year-on-year. The rack, 8-rib, medium averaged \$875.08 per cwt., up 1% in November and up 24% year-on-year.

The value of further fabricated racks reveals lamb as a high-value specialty item. The rack, roast-ready, frenched averaged \$16.31 per lb., down one-half percent for the month and up 17% year-on-year. The rack, roast-ready, frenched special (cap-off) averaged \$21.34 per lb., down 4% monthly and up 23% year-on-year. By comparison, the Australian rack averaged \$9.44 per lb., down one-half percent monthly and up 10% year-on-year.

Packer Spread High

Packer spreads remained high in November with the live market gaining only 3% in the year through November while the wholesale lamb market jumped 12%. The live-to-cutout packer price spread averaged \$96.70 per head in November, down 7% monthly and up 34% year-on-year. In 2012 the spread was high at an average \$92 per head, but in the following four years it averaged \$54 per head.

Production and Trade

Estimated commercial lamb harvest through November was 1.6 million head, down 4% from the same period in 2016. Commercial lamb production was down 5% at an estimated 112.4 million lbs. Harvest weights were down about one-half lb. this year which can account for some of the drop.

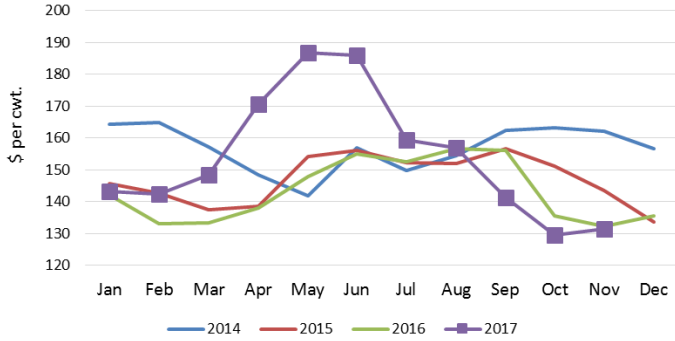
In the nine months through September, lamb and mutton imports were up 19% year-on-year to 195.2 million lbs. Mutton imports saw a 72% increase to 40 million lbs. and lamb imports were up 10%. Lamb imports from Australia were up 6% to 110.5 million lbs. and New Zealand imports were up 21% to 42.4 million lbs.

U.S. Lamb Operates in a Global Marketplace

Commercial lamb supplies are tight—harvest weights and production trended lower—and yet relatively average price offers to commercial producers do not necessarily reflect this scarcity. This scenario could be the result of import accounts replacing domestic accounts as domestic prices rise. Perhaps domestic supplies are not tight at all if we consider we operate in a global marketplace where supplies available to U.S. packers come from the U.S., Australia, or New Zealand. When American lamb prices rise, consumers can compromise on their credence values, such as buying local, and switch to imports.

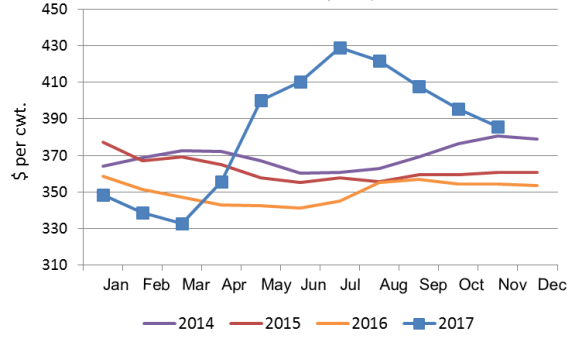
Slaughter Lamb Prices at Auction

Source: USDA/AMS, ASI



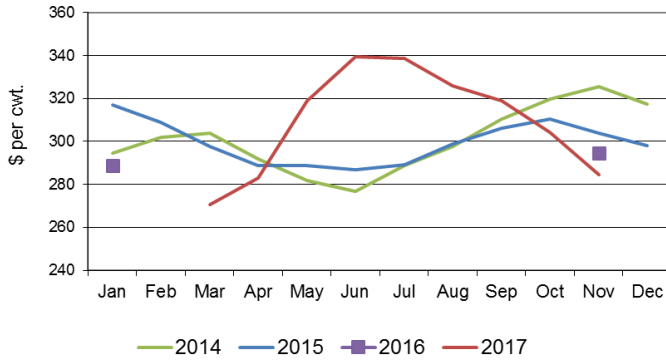
Wholesale Lamb Prices (Gross Carcass Value)

Source: USDA/AMS, ASI



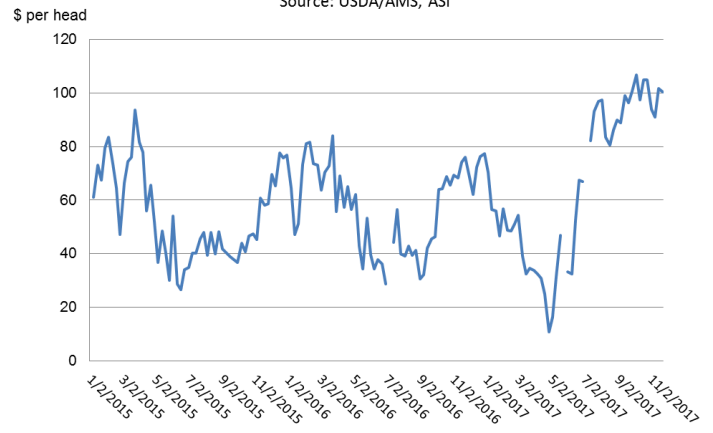
Formula Slaughter-Lamb Prices on a Carcass Basis (Only 2 months of prices available in 2016)

Source: USDA/AMS, ASI



Live to Cutout Packer Price Spread

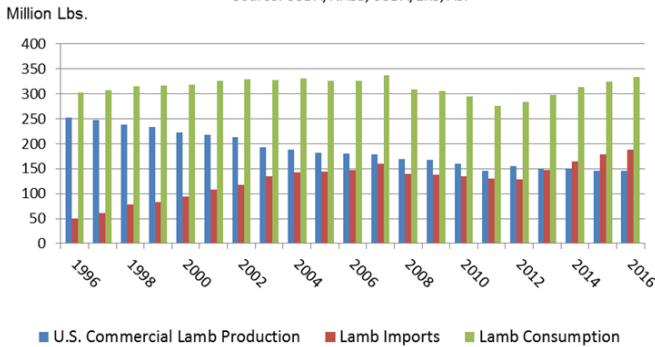
Source: USDA/AMS, ASI



U.S. Commercial Lamb Production, Imports and Consumption

Note: Not counting freezer inventory nor exports

Source: USDA/NASS, USDA/ERS, ASI



Fresh /Chilled Fresh Rack Comparisons

Source: USDA/AMS (MPR), ASI

