



Feeders Down 12% Year-on-year

Feeder lamb prices are lower this year for a variety of reasons: lower slaughter lamb prices, higher imports, and the rising cost of roughage in coming months. While corn is lower, hay for necessary roughage is higher for many western feeders. Feeder trade was relatively slow in August, as feeders and producers adopted a “wait and see” position.

Feeder lamb prices in commercial, direct trade averaged \$140.50 per cwt. in August. Prices were about even with July, down 12% year-on-year, and down 12% from August’s 5-year average.

Many sheep auctions increasingly cater to the ethnic trade; however, Billings, Montana and St. Onge-Newell, South Dakota are examples of traditional, commercial sale barns that still have a viable feeder lamb market. At the Billings, Montana auction, feeders averaged \$146.42 per cwt. in August, down 2% monthly and down 18% year-on-year. The Billings’ average in August was 25% lower than August 2015 and August 2016.

Slaughter Lamb Prices Weaker

Slaughter lamb prices on a formula/grid averaged \$282.07 per cwt. in August, down marginally for the month and down 13% year-on-year. The live-equivalent price was \$142.02 per cwt. The live, negotiated price averaged \$144.58 per cwt., down 7% monthly and down 15% year-on-year.

Slaughter lamb prices at auction in South Dakota averaged \$127.43 per cwt., down 12% monthly and down 19% year-on-year. Prices at auction in Kalona, Iowa averaged \$129.88 per cwt., down 11% and down 15% year-on-year. The Ft. Collins auction averaged \$142.30 per cwt., up 5% monthly and down 18% year-on-year.

- Feeder lamb prices in commercial, direct trade averaged \$140.50 per cwt. in August, even with July, and down 12% year-on-year.
- The wholesale composite averaged \$355.69 per cwt. in August, down 7% monthly and down 16% year-on-year.

Wholesale Composite Dips Lower

The wholesale lamb market exhibited more pronounced volatility in the past 12 months than the peak and trough experienced in late 2010 to mid-2013. In July 2017, the wholesale composite hit an all-time high of \$428.96 per cwt., but dropped 17%, or \$73 per cwt. by August 2018.

The wholesale composite averaged \$355.69 per cwt. in August, down 7% monthly and down 16% year-on-year. The leg, trotter-off, was the only primal to gain, by one-half percent to \$369.98 per cwt.

All primals weakened from a year ago. The rack, loin, and leg lost 8%-10% and the shoulder lost 20% year-on-year. The rack, 8-rib medium, averaged \$825.66 per cwt. in August; the loin, trimmed 4x4, averaged \$548.89 per cwt.; the leg, trotter-off, averaged \$369.98 per cwt.; and the shoulder fell to \$279.84 per cwt.

Wholesale prices are lower due to both demand and supply factors. Lower trending chicken and pork could be putting pressure on lamb demand. Recall that the U.S. lamb demand was weaker in 2017, at an index of 105.2, down 1.3% year-on-year. A compounding factor is that increased domestic and imported supplies are putting downward pressure on prices. Estimated lamb slaughter January-August was 1.3 million head, up 6% year-on-year and estimated lamb production was 89.0 million lbs., up 9% year-on-year. In the first trimester, lamb imports were down 8% year-on-year, but then accelerated, surpassing last summer’s volume. In the year through June, total lamb imports were 107.9 million lbs., 3% higher year-on-year.

By the end of August, U.S. market dynamics were switching gears, lending support to the domestic market. According to Meat & Livestock Australia, Australia’s limited availability of heavy export lamb prompted a 16% year-on-year drop in exports to the U.S. in August (9/12/18). If this is the case, it is a 15% slowdown from August. A parallel scenario is that that import prices got too high for U.S. consumers. It is possible that in August domestic product was substituted in import accounts, reducing import lamb demand.

The domestic swell in lamb availability this summer prompted a build-up in freezer inventories. In early September, lamb and mutton in the freezers totaled 41.5 million lbs., up 7% monthly and up 55% year-on-year. This volume is equal to nearly four months of domestic production. In coming months, price featuring will play a significant role helping to move product. If imports slow into September, the domestic live lamb market may see some relief.