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U.S. Mid-Year Sheep and Goat Inventory: Sheep Down Slightly; Goats Up 4 Percent

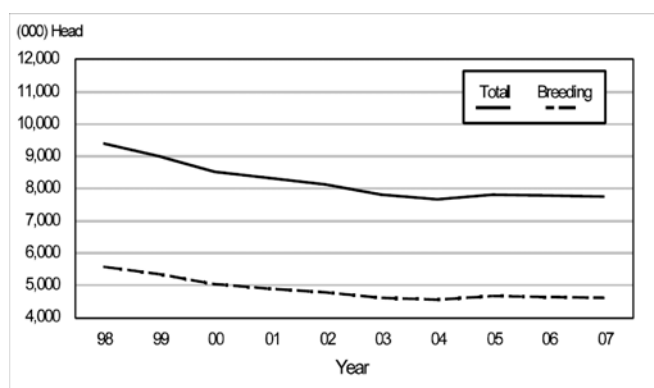
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USDA's mid-year Sheep and Goats report, released on July 20, 2007, indicated that while the U.S. sheep and lamb inventory dropped slightly from a year ago, the U.S. all-goat inventory increased about four percent. The U.S. sheep and lamb herd totaled 7.73 million head on July 1, 2007, down 40,000 head (0.5%) from an inventory of 7.77 million head on July 1, 2006, (See Figure 1). The U.S. all goat inventory, increased 130,000 head (3.8%) to 3.595 million head from an inventory of 3.465 million head a year ago (See Table 1).

While the inventory of angora goats declined by 25,000 head (8.8%), it is interesting to note that the inventory of milk goats increased by 15,000 head (4.7%) and the inventory of meat goats increased by 140,000 head (4.9%). It appears that meat goats are replacing sheep at a ratio of 3.5 to one.

Prior to last year's slight decline, the size of the sheep and lamb herd had increased for two years after eleven years of steady declines. The size of the herd at 7.73 million head remains above the inventory low of 7.65 million on July 1, 2004. Last year, it appeared that the size would stabilize at about 7.7-7.8 million head as the main commercial sheep product focused on lamb production and became less dependent on wool production. This shift appeared supported by a

Figure 1: U.S. Sheep and Lambs Inventory
July 1, 1998 - 2007



Source: USDA-NASS, Sheep and Goats Report, July 20, 2007

Table 1. Goats: Number by Class, United States, July 1, 2005-2007

	2005	2006	2007	% CHG.
	<i>Total Number</i>			
Angora	290,000	285,000	260,000	-8.8%
Milk	320,000	320,000	335,000	4.7%
Meat	2,740,000	2,860,000	3,000,000	4.9%
All	3,350,000	3,465,000	3,595,000	3.8%

shift to more hair sheep. It now appears that the residual effects of the '05-'06 drought, the termination of ewe lamb retention program, an increase in predation control problems, high energy costs and the '06-'07 softening of lamb markets combined to influence individual decisions to continue to thin their sheep herds.

Lamb Market

The lamb market had been showing improvement since mid-2002 with prices reaching record highs in 2005 as the total U.S. sheep and lamb inventory continued to decline. Feeder lamb prices at San Angelo remained fairly strong throughout 2005. While market prices remain relatively attractive, prices have weakened from 2005's record highs (See Figure 2). While wholesale lamb carcass prices have shown a significant improvement this summer (see figure 3), price bids for feeders have remained below 2005's record highs. The market for feeder lambs is expected to improve as feeder lamb supplies remain relatively tight.

Figure 2: 60-90 lb Feeder Lamb Prices June '04-July '07; San Angelo, 2004, 2005, and 2006 Monthly; January-July 2007 Weekly Prices

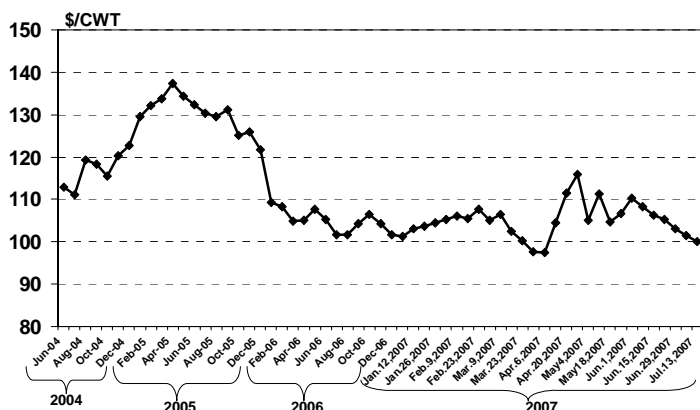
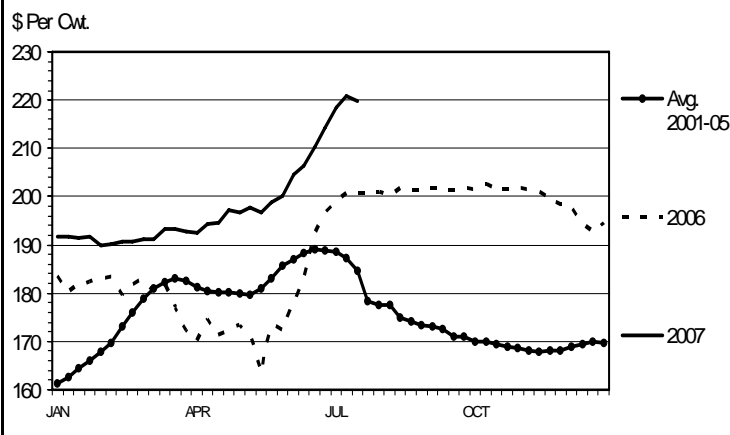


Figure 3: Wholesale Lamb Carcass Prices National FOB, 65-75 Pounds, Carlot Volume, Weekly



Lamb Crop Up Slightly

The 2007 lamb crop is expected to total 4.12 million head up about 30,000 head (0.73%) from a lamb crop of 4.09 million head in 2006, with 88.3 percent of the lambs born prior to July 1, 2007. An additional 480,000 lambs are expected to be born during July through December 2007. Tight supplies of lambs, appears to indicate that the market will remain relatively strong, despite the recent weakness. Keep in mind that while feeder lamb prices have declined from 2005's record highs, prices remain significantly above the 2000-04 average.

Breeding Herd Down

The breeding sheep inventory on July 1, 2007 at 4.61 million head was down 0.5 percent from July 1, 2006. The breeding herd consisted of 3.76 million ewes one year old and older, 185,000 rams one year old and older, and 665,000

replacement lambs (including newborn lambs). (See Table 2). The inventory of market sheep and lambs (including newborn lambs) at 3.12 million head, was down 0.5 percent. The inventory of market lambs at 3.055 million head remained the same as last year, consisting of 1.81 million lambs under 65 pounds, 650,000 lambs 65-84 pounds, 360,000 lambs 85-105 pounds and 250,000 lambs over 105 pounds. The market sheep inventory was 65,000 head.

Table 2. U.S. Sheep, Lamb, Breeding Sheep and Lamb Inventories - July 1, 2006-2007													
All Sheep and Lamb Inventory													
<i>(1,000 head)</i>													
All Sheep & Lambs			Breeding Sheep & Lambs			Market Sheep & Lambs			Market Lambs				
2006	2007	'07 as % of '06	2006	2007	'07 as % of '06	2006	2007	'07 as % of '06	2006	2007	'07 as % of '06		
7,770	7,730	-0.5%	4,635	4,610	-0.5%	3,135	3,120	-0.5%	3,055	3,055	0.0%		
Breeding Sheep 1 Yr old & older													
Ewes			Rams			Replacement Lambs							
2006	2007	'07 as % of '06	2006	2007	'07 as % of '06	2006	2007	'07 as % of '06					
3,780	3,760	-0.5%	185	185	0.0%	670	665	-0.7%					
Total Breeding Sheep & Lambs 1995-2007													
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	'07 as % of '06
6,450	6,170	5,775	5,575	5,350	5,030	4,900	4,780	4,610	4,545	4,655	4,635	4,610	-0.5%