

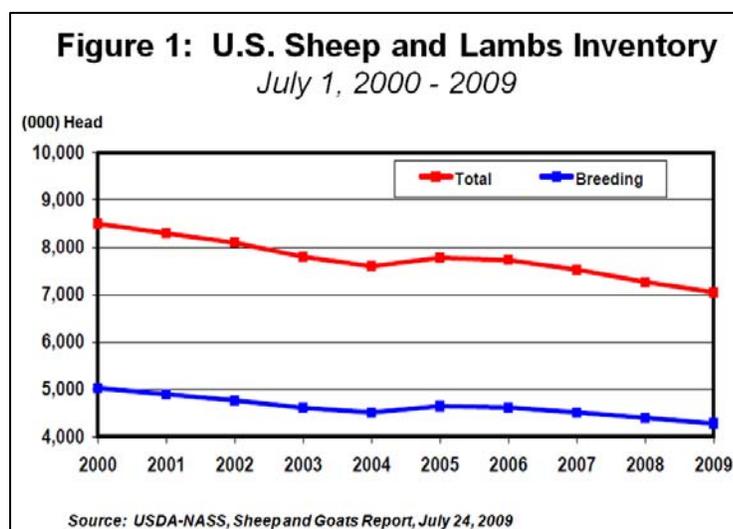
U.S. Mid-Year Sheep and Goat Inventory Down 3% and 2.4%, Respectively

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USDA's mid-year Sheep and Goats report, released on July 24, 2009, indicated that the U.S. sheep/lamb and goat inventory dropped about 3.0 and 2.4 percent respectively, from a year ago.

The U.S. sheep and lamb herd totaled 7.05 million head on July 1, 2009, down 220,000 head (3.0%) from an inventory of 7.27 million head on July 1, 2008, (See Figure 1). The size of the sheep and lamb herd is now the lowest since the mid-1940.

The U.S. all goat inventory, decreased by 90,000 head (2.4%) to 3.71 million head from an inventory of 3.8 million head a year ago (See Table 1). Please note that while the inventory of angora goats declined an additional 65,000 head (28.3%) to the lowest inventory since the early 1900's, the size of the meat goat herd declined just slightly and remains above the size of the herd in mid-2007.



	2006	2007	2008	2009	% CHG.
<i>Total Number</i>					
Angora	285,000	260,000	230,000	165,000	-28.3%
Milk	320,000	335,000	370,000	385,000	4.1%
Meat	2,860,000	3,000,000	3,200,000	3,160,000	-1.3%
All	3,465,000	3,595,000	3,800,000	3,710,000	-2.4%

In 2006, the size of the sheep and lamb herd had increased for two years after eleven years of steady declines. It appeared that the size of the herd 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 shift to more hair sheep. Now, the continuing severe drought which began in a large portion of Texas, especially southwest Texas, in early 2005 and intensified this year, a significant increase in predation control problems, high energy costs and

the general softening of lamb and goat markets combined to influence individual decisions to continue to thin sheep and goat herds.

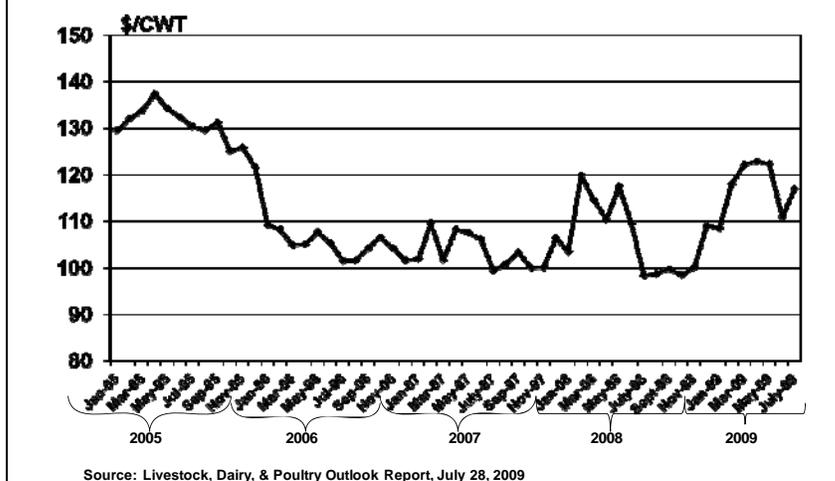
Lamb Market

Except for last fall's dip, the lamb market has been showing improvement since mid-2002. Prices reaching record highs in 2005 as the total U.S. sheep and lamb inventory continued to decline.

Feeder lamb prices at San Angelo weakened last fall but have remained relatively strong since spring 2008. While market prices remain attractive, improving

this past spring, prices remain slightly lower than 2005's record highs (See Figure 2). The market for feeder lambs is expected to continue to improve as feeder lamb supplies remain relatively tight.

Figure 2: Monthly 60-90 lb Feeder Lamb Prices San Angelo, January '05 – July '09



Lamb Crop Down

The 2009 lamb crop is expected to total 3.7 million head down about 27,000 head (6.0%) from a lamb crop of 3.97 million head in 2008, with 88 percent of the lambs born prior to July 1, 2009. An additional 450,000 lambs are expected to be born during July through December 2009. Tight supplies of lambs, appears to indicate that the market will remain relatively strong. Keep in mind that while feeder lamb prices are slightly lower than 2005's record highs, prices remain significantly above the 2000-04 average.

Breeding Herd Down

The breeding sheep and lamb's inventory on July 1, 2009 at 4.28 million head was down 2.7 percent from July 1, 2008. (See Figure 1). The breeding herd consisted of 3.47 million ewes one year old and older, 180,000 rams one year old and older, and 630,000 replacement lambs (including newborn lambs). (See Table 2). The inventory of market sheep and lambs (including newborn lambs) at 2.77 million head, was down 3.5 percent from a year ago. The inventory of market lambs at 2.69 million head was down 3.8 percent from a year ago and consisted of 1.6 million lambs under 65 pounds, 560,000 lambs 65-84 pounds, 290,000 lambs 85-105 pounds and 240,000 lambs over 105 pounds. The market sheep inventory was 80,000 head.

Table 2. U.S. Sheep, Lamb, Breeding Sheep and Lamb Inventories - July 1, 2008-2009															
All Sheep and Lamb Inventory															
<i>(1,000 head)</i>															
All Sheep & Lambs			Breeding Sheep & Lambs			Market Sheep & Lambs			Market Lambs						
2008	2009	'09 as % of '08	2008	2009	'09 as % of '08	2008	2009	'09 as % of '08	2008	2009	'09 as % of '08				
7,270	7,050	-3.0%	4,400	4,280	-2.7%	2,870	2,770	-3.5%	2,795	2,690	-3.8%				
Breeding Sheep 1 Yr old & older															
Ewes			Rams			Replacement Lambs									
2008	2009	'09 as % of '08	2008	2009	'09 as % of '08	2008	2009	'09 as % of '08							
3,590	3,470	-3.3%	180	180	0.0%	630	630	0.0%							
Total Breeding Sheep & Lambs 1995-2009															
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	'09 as % of '08
6,450	6,170	5,775	5,575	5,350	5,030	4,900	4,780	4,610	4,545	4,655	4,635	4,540	4,400	4,280	-2.7%

Source: USD-NASS, Sheep and Goats Report, July 24, 2009