
Livestock Market Comments

U.S. Sheep and Lamb Flock Grows

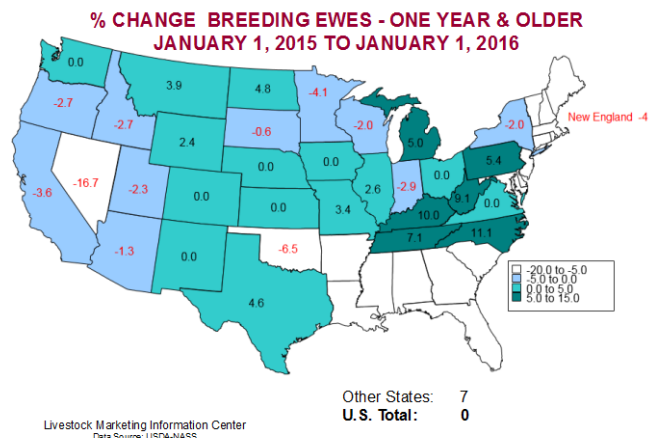
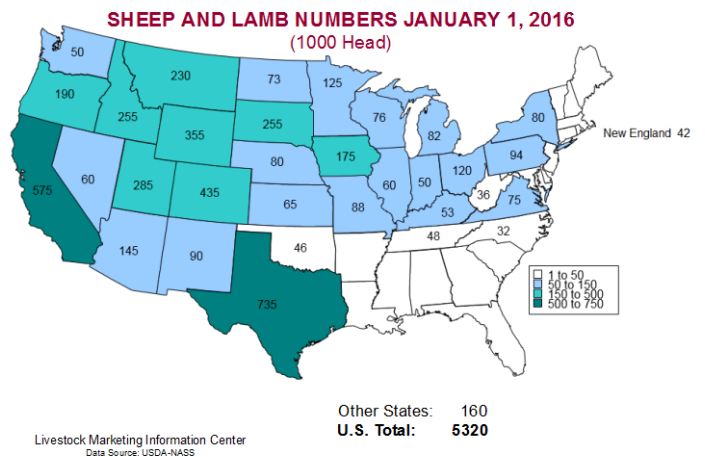
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Following some highly variable lamb prices over the last several years the U.S. sheep and lamb flock reported some growth in January 2016. USDA released its Sheep and Goat inventory report at the end of January. The total number of sheep and lambs in the U.S. grew by almost 1 percent to 5.32 million head on January 1, 2016. The number of breeding ewes grew by half of one percent and the number of replacement lambs held back to enter the breeding flock was 2.3 percent larger. Some profitable lamb prices and a concerted effort by the industry to grow the flock appears to be generating results as shown growing sheep numbers.

Texas continues to have the largest sheep flock of any state, with 735,000 sheep and lambs including 455,000 ewes. Impressively, the breeding ewe flock grew by 4.6 percent compared to January 1, 2015.

The report continued to indicate growth in the number of sheep in Eastern states, often referred to as farm flock states. In those states, compared to the West, sheep flocks are smaller and are often part of a larger farm that may grow crops and have cows. Ewe numbers increased from 5.4 percent in Pennsylvania to over 11 percent in North Carolina.



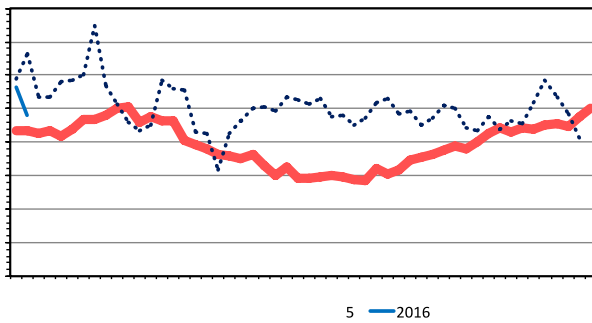
Lamb Prices in 2016

There are three important factors in this year's lamb market: lamb stocks in storage, imports, and slaughter weights. The amount of lamb in cold storage has been huge, reaching almost 45 million pounds in November. To put stocks in perspective, the amount of lamb in cold storage has been the equivalent of almost double the amount produced and imported combined. These stocks will likely pressure lamb prices lower this year.

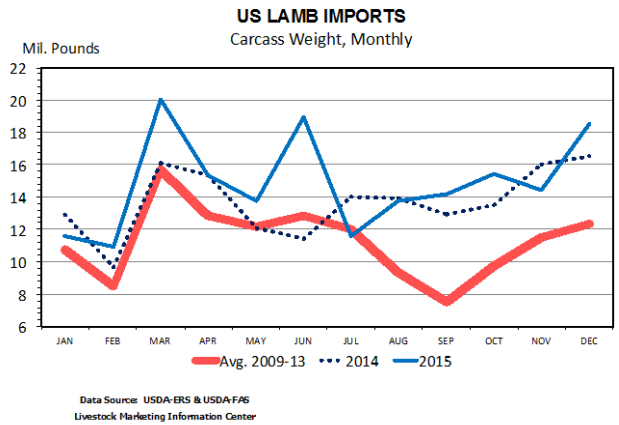
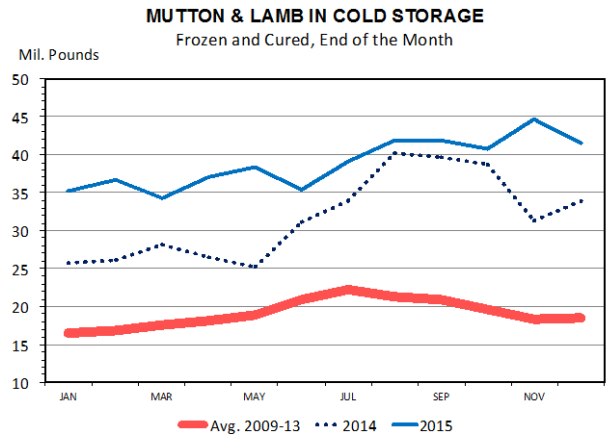
Lamb imports hit a record high as a percent of production in 2015, at over 120 percent. Imports are a big reason for larger stocks. The industry has had to deal with too heavy slaughter weights from over-finished lambs in the last few years. So far this year, average federally inspected dressed weights have not been out of the range of the last 5 year average, growing seasonally. Avoiding burdensome heavy lambs this year will also be a key in the market.

On Balance

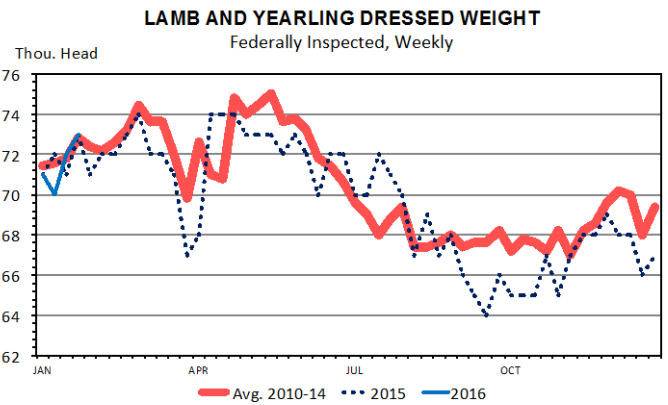
Growth in the nation's sheep flock is a real positive for the industry. While there are some market factors that will pressure prices lower this year, growth is welcome from an industry infrastructure perspective. As we move into Spring, I plan to enjoy some American lamb out on the grill.



5 — 2016



Data Source: USDA-ERS & USDA-FAS
Livestock Marketing Information Center



Data Source: USDA-AIS & USDA-HASS
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