



## Red meat market report

# North America



## US lamb report - January to September

## Abstract

Over the first eight months of 2009, lamb supplies in the US market have remained relatively steady with last year. Reduced US production and NZ exports to the US have been offset by higher lamb shipments from Australia.

Australian lamb exports to the US are forecast to rise 3% in 2009 on the low shipments sent in 2008, to 38,000 tonnes swt. Supplies are predicted to rise a further 3% in 2010 to 43,000 tonnes swt, but still below the record volume exported in 2007 due to weaker demand relative to 2007 (stemming from the impact of the global economic crisis) and lower Australian lamb supplies and higher lamb prices.

Looking ahead, there are limited prospects for higher lamb production in the US in 2010, given the declining flock.

## Market information on the Australian lamb industry

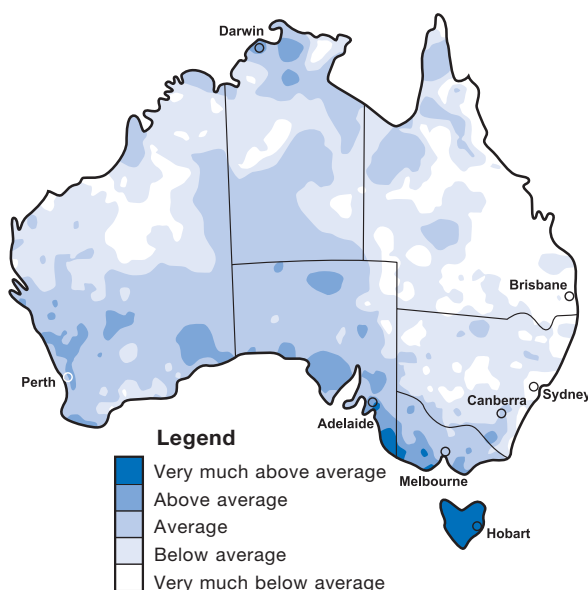
### Seasonal conditions and outlook

Average to above average rainfall throughout June across southern Australia provided most regions with a much needed boost heading into the second half of 2009. The welcome falls enhanced the prospects for this year's winter grain harvest, providing crops with a great start across most regions, while the improved seasonal outlook also tightened livestock markets.

Many regions across southern Australia, with the exception of Tasmania, had a dry start to August. This followed average, to below average falls during July across much of NSW and parts of WA.

An encouraging start to spring saw welcome rain across eastern and southern Australia. The second half of September, however, saw southern NSW again suffering. Dust, heat, hail and damaging winds were felt across different parts of Australia in late September although this also delivered some very welcome falls to Victoria, eastern SA and southern NSW.

**Figure 1**  
Australian rainfall - July to September 2009



The best falls for September were along the southern fringe of WA, eastern SA, western Victoria and Tasmania – all recording above average rain for the month. After a patchy August, these falls provided a boost to thirsty winter crops, along with pasture growth heading into the warmer months.

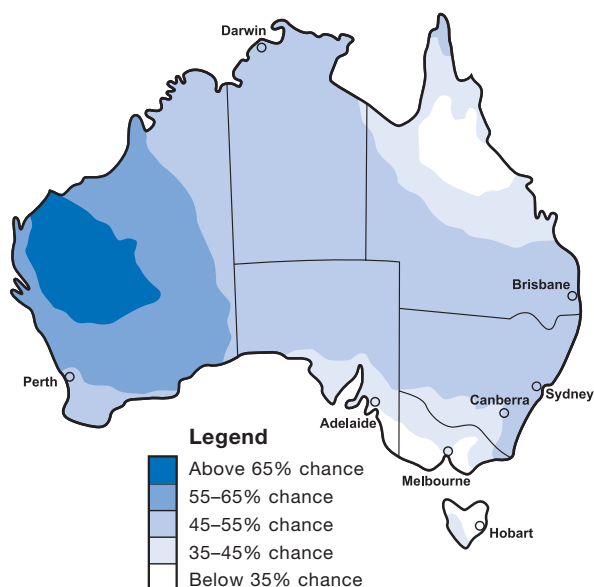
The final quarter of 2009 is forecast to be hotter than normal, according to the Australian Bureau of Meteorology's (BOM) latest three month seasonal outlook.

With the associated rainfall outlook for the same period pointing to only average rainfall at best, the chance of a hot, dry finish to spring and start to summer has increased. According to the BOM, most of eastern and southern Australia has been assigned greater than a 75-80% chance of exceeding median maximum temperatures in October to December.

Source: Australian Bureau of Meteorology

**Figure 2**

Seasonal outlook: chance of exceeding median rainfall - October to December 2009



Source: Australian Bureau of Meteorology

Looking at the combined effect of the rainfall and temperature forecasts for the final three months of 2009 (see figure 2), the outlook for Victoria, southern NSW and eastern SA – major lamb producing areas – is concerning.

The national outlook for maximum and minimum temperatures averaged over the December quarter (October to December), shows moderate to strong shifts in the odds favouring higher than average temperatures across most of Australia (BOM).

Almost all of Victoria has been assigned an 80% chance of exceeding median maximum temperatures and a below average rainfall outlook, ranging from a 25-45% chance of exceeding median falls. The best rainfall potential is in WA, with a 55-70% chance of above average falls for much of the western half of the state – also a key prime lamb region.

## Lamb supply

Heavy lamb supply declined 5% in the calendar year to September primarily due to the high saleyard prices during the winter (up to 530A¢/kg cwt in June) and producers offloading lambs at lighter weights.

In early autumn, heavy lamb supply declined due to the hot conditions, with many producers offloading stock at lighter weights on feed availability concerns. This led to strong competition for heavy lambs from export buyers, many of whom were looking to secure supplies for the traditional peak trading period in the US (leading up to Easter).

The onset of what was a milder winter led to the marketing of better quality lambs, with many being finished on supplementary feed or grazed on crops. The majority of new season lambs have so far this year has been of good quality.

There is a general view that producers in the north of the country (northern NSW and southern Qld) will retain new season lambs and graze them on failed crops through to the end of spring. Conversely, in southern Australia, recent rains in southern Australia have buoyed restockers, leading to increased saleyard activity.

Heavy lamb supply during September at saleyards covered by MLA's National Livestock Reporting Service (NLRS) increased 69% on the same time last year. This increase was the result of the milder winter and improvement in feed availability relative to last year in key lamb producing areas, which enabled producers to grow lambs out to heavier weights.

Contributing to the higher heavy lamb supply during September were yardings in NSW and Victoria, which increased 55% and 21% year-on-year, respectively. The increase was due to the strong saleyard prices and the influx of young lambs onto the market.

In contrast, heavy lamb supply in SA during September fell 29% year-on-year as that state works off a low flock base, and rains held stock back. The high saleyard prices over recent months also encouraged producers to offload lighter lambs earlier.

Lamb yardings in WA during the month declined 9% year-on-year due to the smaller breeding ewe flock. Some producers are also focusing on cropping rather than lamb production.

### The following is an extract from MLA's Australian Sheep Industry Projections Mid-Year update (released in August 2009)

The Australian sheepmeat industry in 2009 has seen strong export and domestic demand and sales, resilient supply and record saleyard prices.

This is an impressive outcome considering the global financial crisis, economic slowdown and volatile trade conditions. Lamb slaughter is still forecast to increase 2.6% in 2009, to just over 20.8 million head, only 1.3% below the record slaughter of 21.16 million in 2007. This is due to a further shift within the flock to prime lamb production, more Merino lambs being finished for slaughter due to the favourable prices, and better seasons in 2007-08 and 2008-09 in many regions.

The expansion of the specialist lamb feeding sector is also expected to resume, after being restricted by the lack of affordable grain and fodder through 2007 and 2008.

The projected improvement in seasonal conditions should also enable many producers to commence rebuilding prime lamb flocks after lamb prices ease from their winter peaks in the second half of 2009.

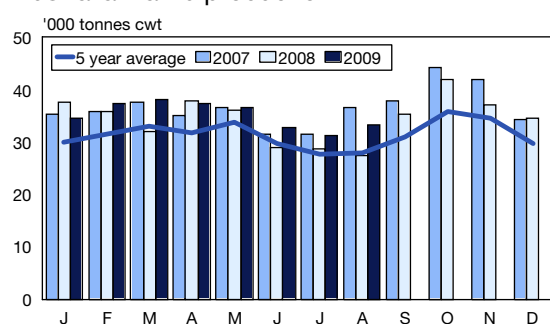
However, the speed and extent of the specialist lamb feeding sector expansion over the short to medium term is expected to be limited by the high sheep prices. The increase in joining and lambing rates combined with the larger numbers of Merino lambs being finished for slaughter are expected to offset the fall in overall breeding ewe numbers.

These factors are expected to lead to a solid rebound in new season lamb numbers from spring 2009, offset by lower numbers of carryover old lambs. Hence, slaughter in the September and December quarters of 2009 combined is expected to be marginally higher (1%) than that recorded during 2008.

Most of this increase relative to year ago levels is expected to be achieved in the September quarter 2009, as the high prices encourage more lambs on to the market over the period.

Australian lamb exports to North America are forecast to rise 5% in 2009 on the low shipments sent in 2008, to 46,000 tonnes swt. However, total shipments to the region are expected to remain below the record volumes exported during 2007.

**Figure 3**  
Australian lamb production



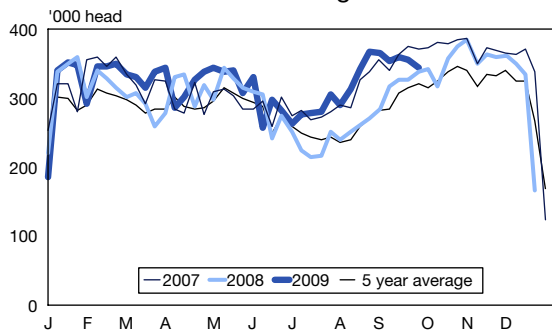
Source: ABS

### Lamb slaughter and production

Australian lamb production during the first eight months of 2009 reached 282,471 tonnes, 7% higher than the same period last year (see figure 3). This was achieved despite a smaller opening breeding ewe flock and was driven by the sustained earlier seasonal increase in lamb prices, reflecting both strong export demand in some key markets, resilient domestic demand and the lower A\$ (relative to last year).

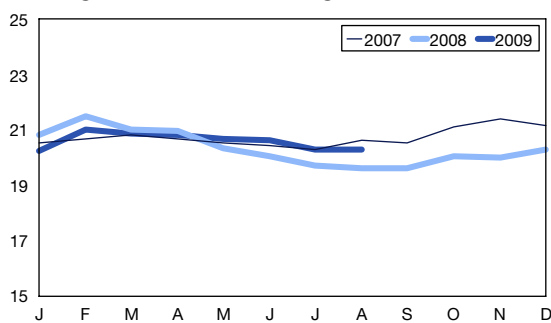
MLA's NLRS weekly slaughter survey data revealed that lamb slaughter in Queensland, Victoria, NSW and SA

**Figure 4**  
NLRS four states\* lamb slaughter



\* four states include Queensland, Victoria, SA and NSW  
Source: MLA's NLRS

**Figure 5**  
Average lamb carcass weights

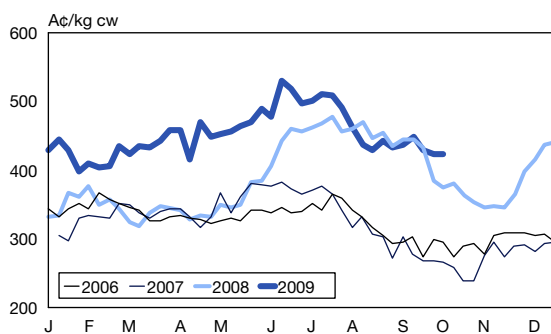


Source: ABS

with most saleyard lamb categories hitting record high prices in June and surpassing the record prices paid in winter 2004.

Heavy lamb (+22kg prime lambs) rose to a high of 530¢/kg cwt in mid June due to the anticipation of tighter supplies and what was a shorter trading week (see figure 6). Also in play at the time was the benefit of the lower A\$ and sales-driven demand which flowed through to saleyard and OTH lamb prices.

**Figure 6**  
Australian saleyard heavy lamb prices (22kg+)



Source: MLA's NLRS

in September remained higher than a year earlier (see figure 4). This indicates that lamb production in September is likely to remain higher year-on-year.

Based on the expectation of lower feed grain prices during the year and some projected improvement in seasonal conditions, average lamb carcass weights in the calendar year to August averaged 20.6kg, 0.5% higher than a year ago (see figure 5).

### Lamb prices

The premium between trade and heavy lamb prices narrowed towards the end of September which in turn encouraged producers to finish lambs at trade weight, not the heavy weight types suited to the US.

Processors have had some difficulty in securing lambs as saleyard prices moved higher and producers switched to saleyards to take advantage of the prices and competition, rather than direct selling or forward contracts. Competition has been strong and included active bidding from the live export trade, exporters and domestic buyers.

Saleyard lamb prices during the calendar year to September averaged 15% higher than a year earlier,

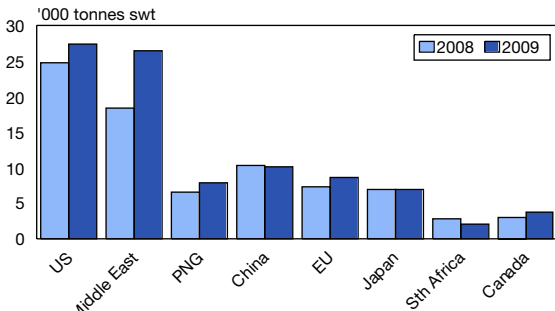
Despite the perception of tightening numbers, there were more lambs sold in the saleyards in the nine months to September; however, this was a function of less being sold direct due to the attraction of favourable saleyard prices.

Higher average prices are forecast for the remainder of calendar 2009, based on strong restocker demand, firm demand in the domestic market and some key export markets such as the US, and a further tightening in overseas lamb supply. The A\$, however, remains the key variable influencing this forecast.

### Lamb exports

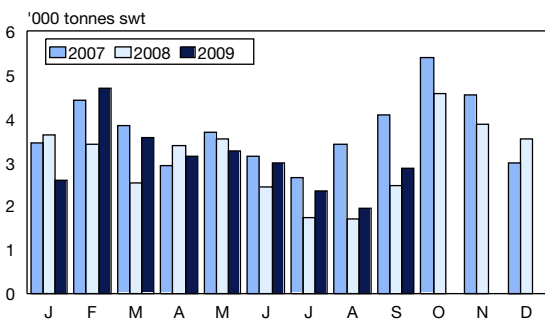
Total Australian lamb exports climbed to 119,466 tonnes swt in the calendar year to September, posting an 12% increase on 2008, and 5% up on 2007. Major export destinations so far this year have been the US (27,401 tonnes) and Middle East (26,571). Australia exported 10,135 tonnes to China and 8,584 tonnes to the EU (see figure 7).

**Figure 7**  
Australian lamb exports to main destinations (Jan to Sep)



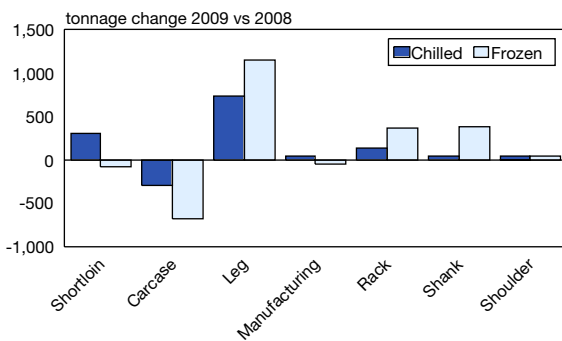
Source: DAFF

**Figure 8**  
Australian lamb exports to US



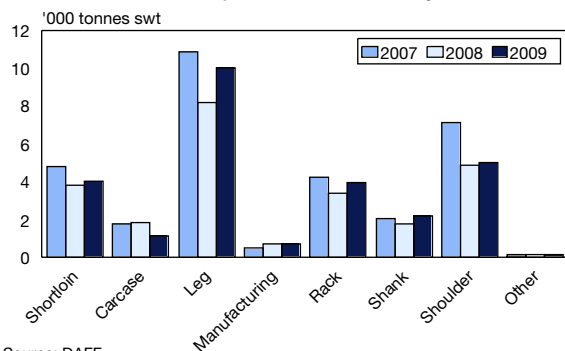
Source: DAFF

**Figure 9**  
Australian lamb exports to the US by cut (Jan to Sep)



Source: DAFF

**Figure 10**  
Australian lamb exports to the US by cut (Jan to Sep)



Source: DAFF

Australian lamb exports to the US for January to September rose 10% on the same period in 2008, but remained 14% below the same nine months in 2007 (see figure 8). Chilled exports were up 8% while frozen shipments were 14% higher.

The increase in volume to the US so far this year signals a return to more recent averages after the difficult year in 2008. However, Australian lamb has achieved its return in a challenging environment of ongoing repercussions of the global financial crisis and the strengthening A\$.

The fact that the majority of Australian lamb is sold in the US retail sector has provided a buffer, considering the subdued foodservice sector. While there was a modest improvement in US restaurant trade over the US spring and early summer, the restaurant tracking index has recently trended lower.

Both chilled and frozen exports to the US were up compared to 2008. Regarding chilled product, there were large volume increases in legs (741 tonnes higher), shortloins (up 309 tonnes) and racks (up 133 tonnes). Highlights for frozen product included legs (up 1,145 tonnes), racks (up 372 tonnes) and shanks (384 tonnes higher). Frozen carcass exports fell by 686 tonnes (see figure 9 and tables 1 and 2).

The higher leg exports (see figure 10) were attributed to strong sales over the Easter period and also importers preparing themselves and building stocks towards Christmas.

Bone-in chilled shoulders, mainly prepared as chops, are often retailed to a lower income demographic. Despite US consumers having cheaper protein options, such as pork and chicken, at their disposal this year, exports of shoulder cuts increased 1% on the same period last year.

Boneless shoulders are often used as ground or minced lamb in both retail and foodservice. Anecdotal evidence suggests there is an increase in ground lamb being sold at retail with the emergence of ground lamb products such as burgers being sold at foodservice in some regions.

**Table 1**

Australian lamb exports to the US (by cut) - January to September (kg swt).

	2008	2009	% change	kg change
<b>Chilled</b>				
Boneless loin	148,457	144,635	-3	-3,822
Breast & flap	34,824	29,425	-16	-5,400
Carcase	766	474	-38	-292
Chump	65,246	68,443	5	3,198
Forequarter	28,306	59,459	110	31,153
Leg	5,509,014	6,250,303	13	741,289
Manufacturing	21,877	68,950	215	47,073
Neck	0	277		
Rack	2,889,270	3,022,690	5	133,420
Ribs	114	1,241	992	1,127
Shank	482,599	525,530	9	42,931
Shortloin	3,528,315	3,837,091	9	308,776
Shoulder	3,933,327	3,980,304	1	46,977
<b>Total</b>	<b>16,642,113</b>	<b>17,988,821</b>	<b>8</b>	<b>1,346,708</b>

	2008	2009	% change	kg change
<b>Frozen</b>				
Boneless loin	20,607	51,585	150	30,978
Breast & flap	0	0	-	0
Carcase	1,818,101	1,131,654	-38	-686,446
Chump	9,407	38,053	305	28,646
Forequarter	0	912	-	-
Leg	2,639,525	3,784,801	43	1,145,276
Manufacturing	710,437	655,332	-8	-55,105
Rack	532,157	904,412	70	372,256
Ribs	0	7,392	-	7,392
Shank	1,276,915	1,660,767	30	383,853
Shortloin	257,140	178,908	-30	-78,231
Shoulder	958,926	998,116	4	39,189
<b>Total</b>	<b>8,223,213</b>	<b>9,411,931</b>	<b>14</b>	<b>1,188,719</b>

	2008	2009	% change	kg change
<b>Total</b>				
Boneless loin	169,063	196,220	16	27,157
Breast & flap	34,824	29,425	-16	-5,400
Carcase	1,818,866	1,132,128	-38	-686,738
Chump	74,653	106,496	43	31,843
Forequarter	28,306	60,370	113	32,064
Leg	8,148,539	10,035,104	23	1,886,565
Manufacturing	732,314	724,282	-1	-8,032
Rack	3,421,426	3,927,102	15	505,676
Ribs	114	8,633	7,499	8,519
Shank	1,759,513	2,186,297	24	426,784
Shortloin	3,785,455	4,015,999	6	230,545
Shoulder	4,892,254	4,978,419	2	86,166
<b>Total</b>	<b>24,865,326</b>	<b>27,400,752</b>	<b>10</b>	<b>2,535,427</b>

Source: DAFF

Table 2

Australian lamb exports to the US (by value) - January to August.

	Chilled carcase			Chilled bone-in		
	Volume (kg/swt)	Value (\$A FOB)	Average (\$A/kg)	Volume (kg/swt)	Value (\$A FOB)	Average (\$A/kg)
2008	-	-	-	11,080,063	89,900,753	11.89
2009	-	-	-	12,435,349	131,755,585	10.60
% change	-	-	-	12.2	46.6	-10.9

	Chilled boneless			Aggregate (chilled)		
	Volume (kg/swt)	Value (\$A FOB)	Average (\$A/kg)	Volume (kg/swt)	Value (\$A FOB)	Average (\$A/kg)
2008	3,366,184	26,158,125	7.77	14,446,247	116,058,878	8.03
2009	4,217,675	32,934,337	7.81	16,653,024	164,689,922	9.89
% change	25.3	25.9	0.5	15.3	41.9	23.1

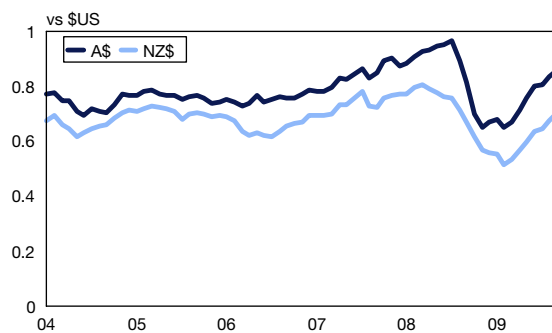
	Frozen carcase			Frozen bone-in		
	Volume (kg/swt)	Value (\$A FOB)	Average (\$A/kg)	Volume (kg/swt)	Value (\$A FOB)	Average (\$A/kg)
2008	1,118,275	4,096,271	3.66	3,317,743	20,354,878	6.14
2009	936,523	3,949,738	4.22	4,075,279	32,326,088	7.93
% change	-16.3	-3.6	15.1	22.8	58.8	29.3

	Frozen boneless			Aggregate (frozen)		
	Volume (kg/swt)	Value (\$A FOB)	Average (\$A/kg)	Volume (kg/swt)	Value (\$A FOB)	Average (\$A/kg)
2008	2,358,193	13,466,703	5.71	6,794,211	37,917,852	5.58
2009	3,501,484	26,975,010	7.70	8,513,286	63,250,836	7.43
% change	48.5	100.3	34.9	25.3	66.8	33.1

	Aggregate (chilled, frozen)		
	Volume (kg/swt)	Value (\$A FOB)	Average (\$A/kg)
2008	21,240,458	153,976,730	7.25
2009	25,166,310	227,940,758	9.06
% change	18.5	48.0	24.9

Source: Global Trade Atlas

Figure 11  
Exchange rate

Source: fxtop

## Exchange rates

The A\$ surpassed 90US¢ in October – 30% higher when compared to the same time last year and 43% above this year's low of 64US¢ recorded in February (see figure 11).

The A\$ has appreciated against all major trading currencies in recent months, with the exception of the NZ\$.

## Market information on the NZ lamb industry

### Lamb supply

According to Meat & Wool New Zealand (MWNZ), the sheep flock as at 30 June 2009 declined 2.8% year-on-year, to 33.14 million head. In line with this fall was a 3.4% decline in breeding ewe numbers, to 22.7 million head.

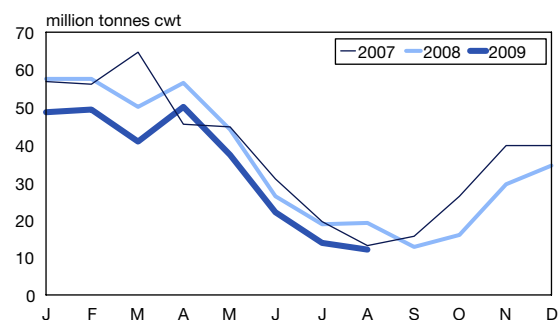
North Island flock numbers decreased by 5.9% to 16 million head as at June 30, while the South Island flock is estimated to have remained stagnant (MWNZ).

The overall decline in the NZ flock is due in large part to a shift across to dairy production. The subsequent reduction in carrying capacity, limited pasture supplies (following successive years of drought) and general negativity about the long term profitability of the sheep industry in New Zealand also contributed to the reduction in the flock.

## Lamb production

New Zealand lamb production for January to August (latest figures available) fell 18% compared to the same period last year (see figure 12). Again, this is attributed to reduced breeding ewe numbers due to a number of years of liquidation.

**Figure 12**  
New Zealand monthly lamb production



Source: New Zealand Ministry of Agriculture & Forestry

Stock carrying capacity has also been impacted by drought, as well as the move towards less productive hill country as dairying boomed.

Better seasonal conditions this year, an increase in the lambing percentage and less pressure from alternative enterprises are all expected to lead to higher ewe retentions.

Furthermore, higher farm-gate prices (30% higher year-on-year in August) and predicted stable input costs (-0.6% in 2009-10) are boosting confidence and profitability in the industry, adding to the anticipated re-stocking.

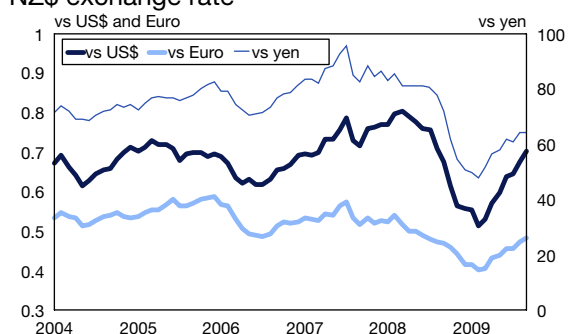
New Zealand lamb slaughter in August fell 13% year-on-year to 641,988 head while lamb slaughter from October 2008 to August 2009 was 19% lower than the previous year at 21.8 million head (Statistics NZ).

Lamb production fell only 5% in August (to 12,374 tonnes cwt), with carcass weights in August averaging 19.3kg/head or 9% higher year-on-year due to higher feed/lamb ratios, with many producers wary of carrying stock after years of drought.

As a result of the decline in the NZ flock, export lamb slaughter is forecast to decline 23% in the 2008-09 NZ fiscal year (October 2008 through to September 2009), to 20.36 million head. This is predicted to lead to an 18% year-on-year fall in NZ export lamb production over the period, to 360,800 tonnes cwt.

Some recovery in NZ export lamb slaughter is forecast for 2009-10, with numbers projected to increase 4% (on 2008-09) to 21.3 million head. This rise is due to an expected improvement in seasonal conditions leading to higher lambing percentages.

**Figure 13**  
NZ\$ exchange rate



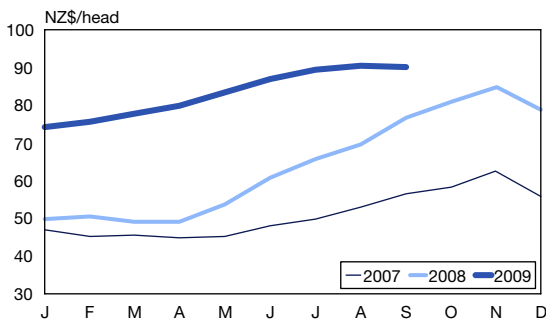
Source: Reserve Bank of New Zealand

## Exchange rates

Like the A\$, the NZ\$ has risen strongly over recent months, underpinned mainly by an increasingly favourable economic outlook, with GDP growing 0.1% in the June quarter and trade volumes up 4.7%.

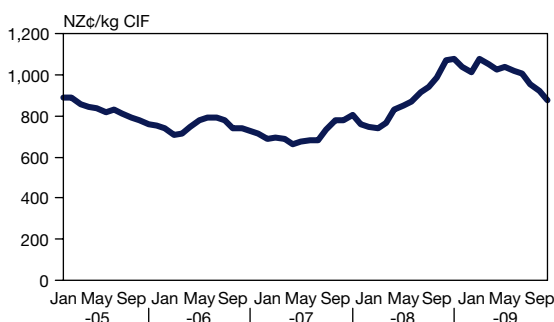
After bottoming at 50US¢ in early March this year, the NZ\$ has rallied strongly, surpassing year ago levels (67US¢) to reach 75US¢ by the third week of October (Reserve Bank of New Zealand) (see figure 13).

**Figure 14**  
New Zealand South Island lamb prices



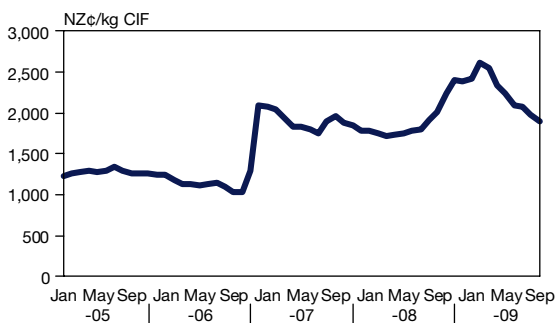
Source: Agri-Fax

**Figure 15**  
New Zealand chilled leg export prices to EU



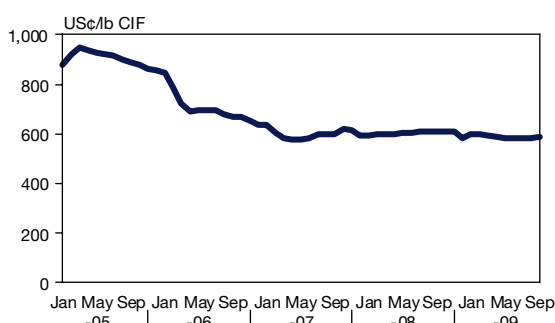
Source: Agri-Fax

**Figure 16**  
New Zealand frenched rack export prices to Asia/US



Source: Agri-Fax

**Figure 17**  
New Zealand frenched rack export prices to US



Source: Agri-Fax

The higher NZ\$ – tipped to keep rising – reduces the competitiveness of NZ products overseas, placing particular pressure on the meat export industry and its entire supply chain.

**Lamb prices**

Livestock prices overall have fallen recently. Processors have reduced direct to works prices as they suffer under the double yoke of poor export demand and the rising NZ\$.

Lamb prices, however, have fared better than NZ beef prices due to tight supplies, rising an average of 16% since January, but in September, they remained an average of 3% lower than a year earlier (NZ Agrifax) (see figure 14).

Chilled legs performed strongly, rising to 1,013 NZ\$/kg CIF for the January to early October period – an 18% increase on the previous year (see figure 15).

Frenched rack export prices reached 2,242 NZ\$/kg CIF for the period January to 12 October, equating to a 24% increase year-on-year. In US\$/lb terms, however, the same 10 month period this year saw prices average 590 compared to 604 US\$/lb in 2008 (see figures 16 and 17).

**Lamb exports**

Total NZ lamb exports for January to September were down 9% on the same time last year to 240,946 tonnes swt.

Key contributors to the fall were a 50% drop to Mexico, 15% reduction to the US (to 12,145 tonnes) and a 3% reduction to the UK (see figures 18 and 19).

Given the price premiums involved, it was expected that NZ would give priority to supplying its EU quota (228,000 tonnes swt compared to Australia’s 18,786 tonne quota) before supplying other markets, such as North America, the Middle East and China in 2009. However, this has not been the case so far in 2009. Rather, NZ has been largely maintaining key accounts across its markets, including Canada, Japan and China.

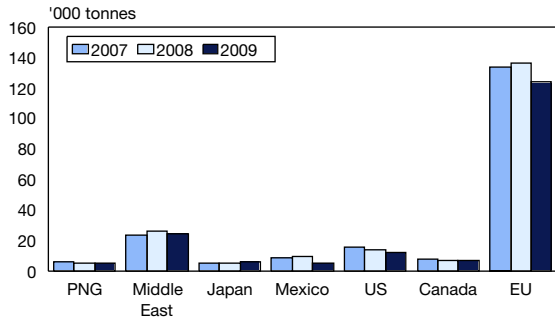
In addition, NZ product has been diverted to Papua New Guinea due to the strong growth in demand for lamb in this market over recent months.

Also, EU demand for lamb has been weaker due to the economic downturn.

However, while it is anticipated that NZ will maintain key accounts within each market through the remainder of the year, the impact of the significant reduction in

**Figure 18**

New Zealand lamb exports (Jan to Sep)



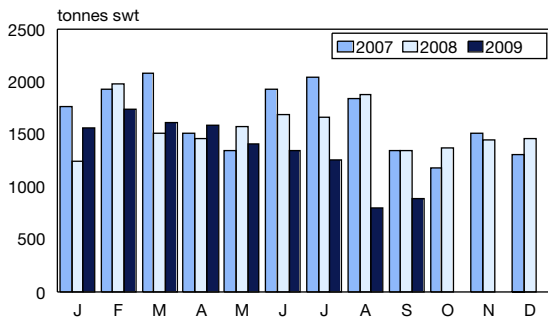
Source: New Zealand Meat Board

NZ export lamb production is not expected to be fully realised until 2010 (MWNZ). This is due to NZ’s management of frozen product for export. In addition, any changes in volume shifts between markets will depend on the impact of the economic downturn on underlying lamb demand in each market and the relative changes in the A\$ and NZ\$.

New Zealand lamb exports are forecast to continue contracting in the coming 2009-10 year (October 2009 to September 2010) despite a 2% increase in the lamb crop to 27.8 million head, according to MWNZ in its *Sheep and Beef New Season Outlook 2009-10*.

**Figure 19**

New Zealand lamb exports to US



MWNZ has forecast a 2% fall in lambs slaughtered for export in the coming 12 months to 21.2 million head, a 3% reduction in export lamb production as well as an 8% fall in export revenue to NZ\$2.5 billion. The fall comes on the back of an appreciating kiwi dollar (MWNZ forecasts the NZ\$ to average 63US¢ in 2009-10, a 7% increase on the year so far but well below the 2007-08 average of 76US¢). Also, the anticipated re-stocking in response to the increased profitability in the industry is expected to reduce the availability of lambs for slaughter.

## Market information on the US lamb industry

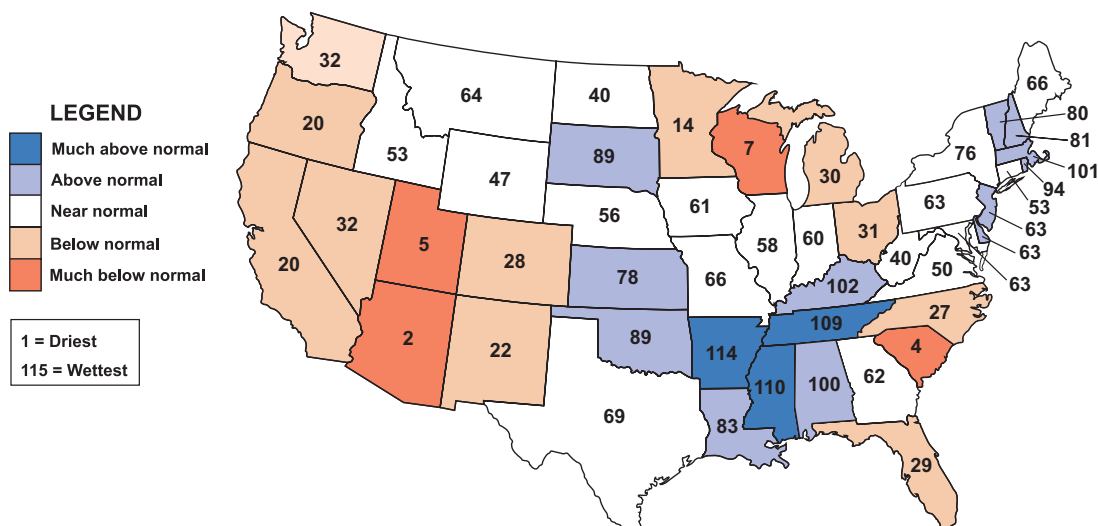
### Seasonal conditions

Below normal temperatures were experienced during summer across the US (June-August), according to the US National Climatic Data Center.

A lack of monsoonal moisture contributed to the near record dryness in the southwest region (Arizona, New Mexico, Oklahoma and Texas), with moderate-to-exceptional drought covering 14% of the United States by end of August, according to the US Drought Monitor (see figure 20).

**Figure 20**

US rainfall analysis: July – September 2009



Source: US National Climatic Data Center/NESDIS/NOAA

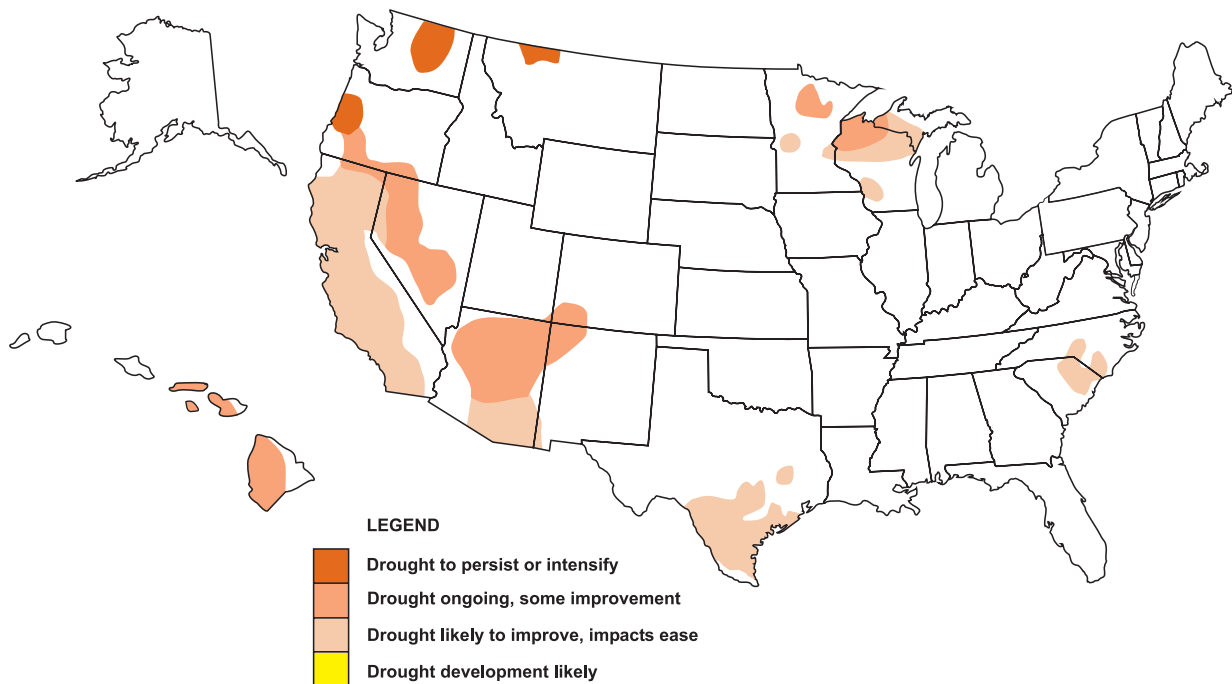
Drought intensified in parts of the Pacific northwest region (Washington and Oregon) and new drought areas emerged in Arizona and parts of the Carolinas. Elsewhere, drought areas generally persisted, with minor improvements in Montana, Wisconsin, and Oklahoma.

Looking ahead, moisture feeding into the trough in the Great Lakes is likely to produce above average rainfall through the corn belt, potentially causing some delay in harvest though the region, though so far most areas have ideal soil moisture conditions for early harvest activity. The exceptionally warm September assisted late maturing crops in the western corn belt.

The North Pacific Ocean off Mexico continues to warm and this continues to favour tropical storm formation. This will help alleviate remaining dry areas in Texas but a complete end to drought is still debatable. November is likely to be the wettest month of the year for Texas while California and Arizona are likely to see their wettest weather later in the winter (see figure 21).

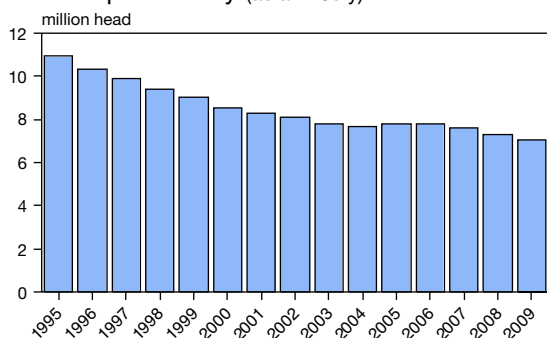
*(Adapted from a report by Dr Art Douglas, Creighton University, Omaha, Nebraska)*

**Figure 20**  
US seasonal drought outlook: October – December 2009



Source: The US Drought Monitor

**Figure 22**  
US sheep inventory (as at 1 July)



Source: USDA

### Sheep and lamb flock

As at 1 July 2009 (latest estimates available) the US sheep flock totalled 7.05 million head, 220,000 head or 3% below the same time last year and 6% less than 2007 (see figure 22). The US breeding ewe flock also fell, by 3% to 4.28 million head.

The long term, consistent decline in the US sheep flock has been due to shifts to more profitable alternative land uses and the impact of drought conditions in key sheep regions over recent years.

According to the USDA, the 2009 lamb crop is expected to total 3.7 million head, down slightly from the 2008 lamb crop of 3.71 million head. The decline in sheep and lambs will continue to keep supplies tight for the rest of the year.

The American Sheep Industry Association (ASI) reported a severe winter in parts of the country in addition to late spring snow storms in the Dakotas, Wyoming and Montana contributed to the loss of ewes and lambs.

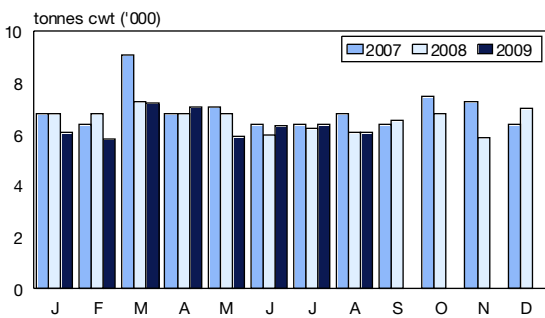
Producers indicated that the number of replacement lambs at mid-year was 630,000 head, unchanged from a year ago (USDA). However, as pasture and range conditions deteriorate in some regions, particularly in the Southern Plains region, the number of replacements is predicted to show a yearly decline in the January 2010 report.

### Lamb slaughter and production

Lamb and mutton production for August (latest available data) was 6,033 tonnes, similar to August 2008 (see figure 23), whereas calendar year to August lamb production was down by 1,995 tonnes (or 4%) to 50,668 tonnes.

Commercial lamb and mutton production in September quarter – typically the lowest lamb-producing quarter when slaughter plants conduct maintenance work while operations are below capacity – is expected to reach 18,597 tonnes, down 2% from the same period in 2008.

**Figure 23**  
US sheepmeat production



Source: USDA

This is consistent with the USDA's forecast that US sheepmeat production is to decline in 2009 (by 4% to around 75,900 tonnes), and per capita lamb and mutton consumption to remain flat, at around 450 grams per person.

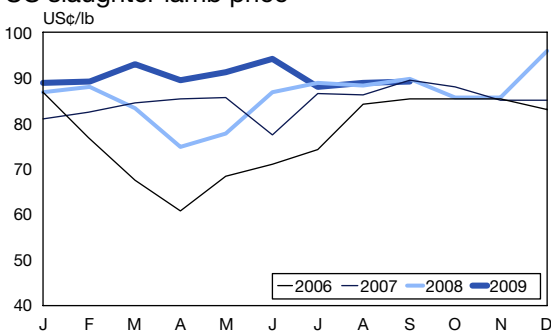
According to the USDA, reduced restaurant sales brought on by weak economic conditions have likely contributed to the increase in cold storage stocks, with lamb and mutton cold storage stocks totalling nearly 9,979 tonnes at the end of June, or over 150% of June's production and more than half of the expected production for the third quarter.

With per capita consumption remaining flat during the six months to June 2009, the increase in Australian lamb exports has helped filled the gap created by tighter US domestic supplies over the same period.

The ASI has stated its concern with the reduced lamb (and wool) production and is establishing a taskforce to identify and address the key challenges of expansion for

US sheep producers. The taskforce plans to conduct a survey of the industry this autumn (September-November).

**Figure 24**  
US slaughter lamb price



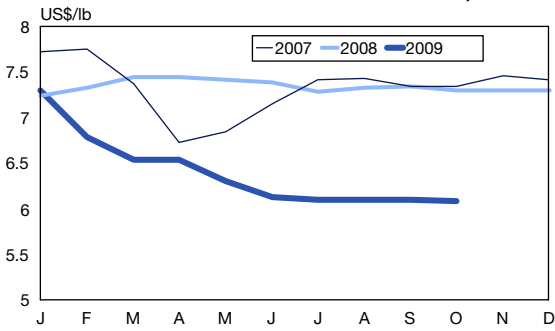
Source: USDA

### Lamb prices

In the first six months of 2009 farm prices for lambs averaged \$101.33 per cwt, up 2% from the same period in 2008, while Choice slaughter lamb prices at the San Angelo, Texas market averaged \$90.79 per cwt, a 9% rise on the same period last year according to the August edition of the USDA's *Livestock, Dairy, and Poultry Outlook* (see figure 24).

**Figure 25**

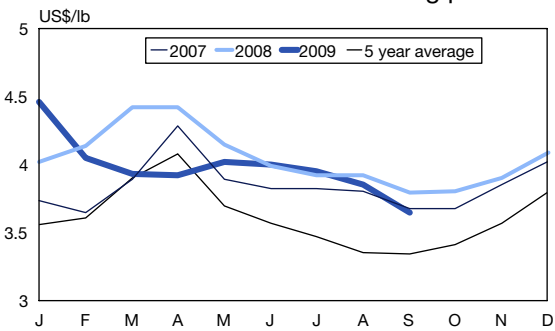
US wholesale HRI domestic lamb rack prices



Source: Umer Barry

**Figure 26**

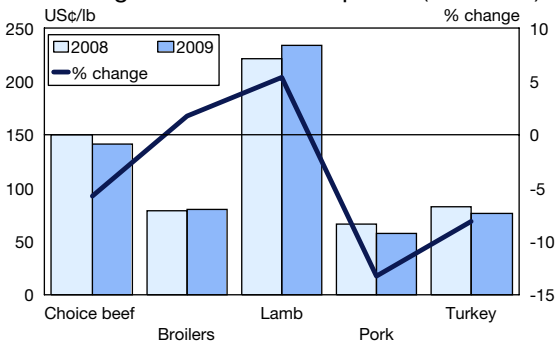
US wholesale HRI domestic lamb leg prices



Source: Umer Barry

**Figure 27**

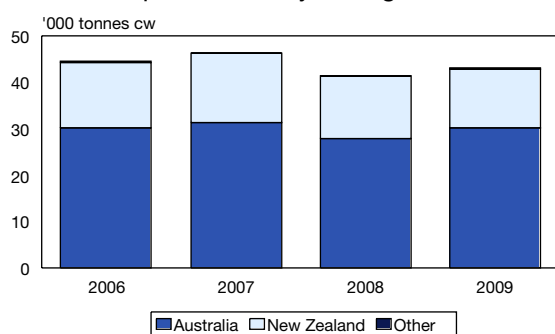
US average wholesale meat prices (Jan to Jun)



Source: USDA

**Figure 28**

US lamb imports: January to August



Source: USDA

Prices at San Angelo have been fairly stable during the first half of 2009 and are expected to remain relatively unchanged over the second half of 2009, near \$89-91 per cwt, primarily because tight supplies are likely to continue to offset the weaker demand (USDA).

Wholesale lamb carcass prices are predicted to continue to improve during the third and fourth quarters of 2009 due to the tight supplies of Choice prime market lambs in the 55-65 pound weight category.

The US wholesale lamb indicators have continued to slip this year with HRI (Hotels, Restaurants and Institutions) racks falling from 7.30\$/lb to 6.10\$/lb from January to September this year (figure 25), while legs are down from 4.47\$/lb to 3.65\$/lb for the same period (figure 26).

Feeder lamb prices are expected to remain above last year for the remainder of 2009 due largely to tighter supplies. Texas feeder lamb prices are forecast to average 5% to 8% above 2008, whereas slaughter lamb prices are predicted to continue to struggle this year with slow demand, particularly in the foodservice sector.

While competitor products such as pork and chicken are retailing at discounted rates, which is influencing consumers' choice of protein, lamb seems to have held up relatively well (see figure 27).

Although there was a modest improvement in US restaurant trade over the US spring and early summer, the restaurant tracking index has recently trended lower (National Restaurant Association), which is indicative of the current US economic climate.

### Lamb imports

Total lamb imports to the US for the period January to August (latest available data) rose from 41,527 tonnes cwt in 2008 to 43,063 tonnes cwt (up 3.7%) (see figure 28).

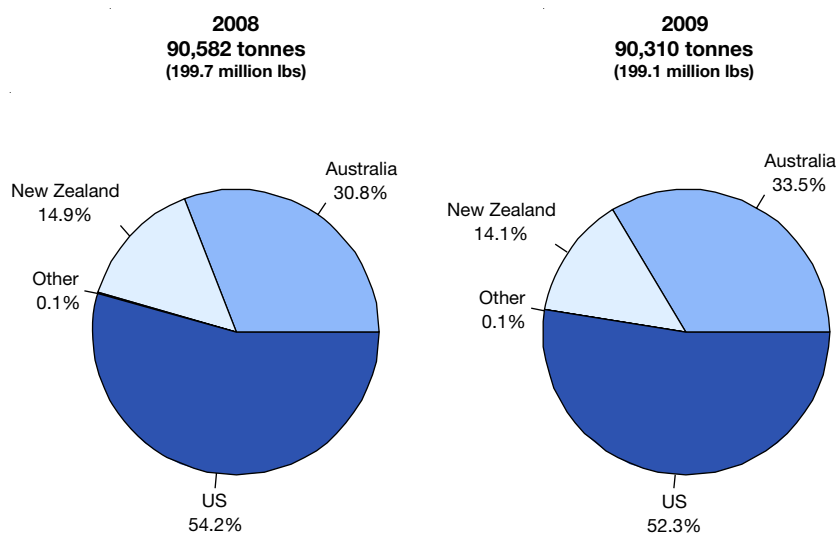
Imports from Australia for the period increased from 27,866 tonnes cwt to 30,295 tonnes or by 8.7%, while imports from New Zealand fell from 13,524 tonnes to 12,708 tonnes or by 6%.

### Total lamb supplies

Over the first eight months of 2009 (latest available data), the supply of lamb in the US market remained relatively stable with a year ago at 90,310 tonnes cwt (199.1 million lbs) (see figure 29). The reduction in supplies from the US and NZ were offset by higher shipments from Australia.

**Figure 29**

US lamb market: January to August



Source: USDA

## Australian lamb in lights at PlateCooks™ event

Australian lamb was the centre of attention for 50 chefs in Miami, Florida at the recent PlateCooks™ event in August.

PlateCooks™ events, hosted by leading US foodservice magazine Plate, are held to allow chefs to discuss emerging trends and to discover and explore the use of versatile products that fit these trends, such as Australian lamb.



The event provided a great opportunity to reach chefs in familiar and comfortable surroundings as they network and learn from each other while using Australian lamb. It is also a great vehicle to launch new ideas including lamb's versatility and suitability in many different ethnic cuisines.

The chefs focused on the increasing popularity in the US of South East Asian cuisine, and following a presentation from MLA on the versatility, value and integrity of Australian lamb, spent the afternoon in the kitchens of the world renowned Le Cordon Bleu cooking school.

From these kitchens, working in teams, they designed South East Asian dishes using Australian lamb top sirloins and ground Australian lamb.



The focus on lamb at this event was on cuts other than the ever-popular rack. Although the US is the largest export destination for Australian lamb racks, the event was used to demonstrate that lamb can be a cost-effective, centre of the plate item by using other cuts such as the top sirloin (rump).

*Australian lamb in lights at PlateCooks™ event continued..*

Australian lamb also shone in the California Raisins board new recipe contest, for the best recipe utilising California Raisins. The winning team included Jason Drysdale, Corporate Executive Chef of Norwegian Cruise Lines in Miami.



Jason featured Australian lamb in a dish that used California Raisins as part of a spice rub on the lamb and again in the sauce. This will form the basis of the next California Raisin advertising campaign in *Plate* magazine.

For more information visit <http://www.plateonline.com/> and look for the PlateCooks™ link.

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