Monthly US Lamb Market Update

December 2020 Issue

Prepared Exclusively for Meat & Livestock Australia - Sydney

December 29, 2020

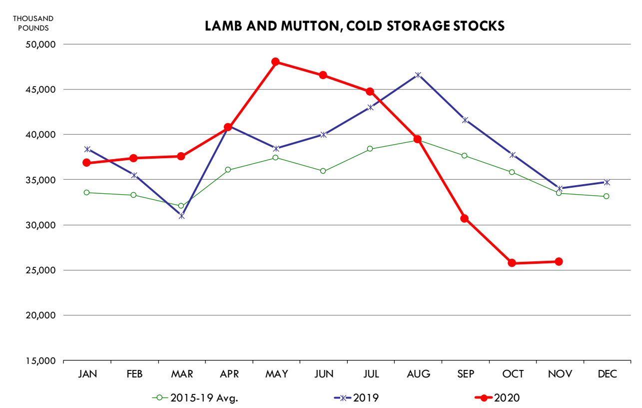
USA Domestic Lamb Market - Supply/Demand Situation

- **US lamb and mutton production was down in November even as smaller states step in to fill the gap created by the closure of the Colorado plant.** Total lamb and mutton production for the month was 6% lower than the previous year and the decline was entirely due to lighter weight lambs and yearlings coming to market. The trend to lighter weights has been in place for some time but we think the shift in processing and the marketing changes that required may have also contributed to that. Colorado remains the top producing state in the US but in November lamb and sheep slaughter in the state was 29% lower than the previous year. Slaughter increased in most other states, with Texas accounting for the bulk of the increase. Traditionally lambs slaughtered in Texas come to market at lighter weights due to the demand/expectations of buyers in that market. Texas lamb and sheep slaughter in November was 19,600 head, 7,400 head or 61% higher than a year ago. Slaughter in California was up 17% and New Jersey and Pennsylvania were up 10% and 19%, respectively.
- Lower production and demand uncertainty caused end users to limit the amount of product they put away in the freezer. Normally freezer inventories peak in the summer and then decline in Q4 as users deplete their stock to support holiday demand. At the end of November, USDA pegged the supply of lamb and mutton in cold storage at 25.9 million pounds, 24% lower than a year ago and 23% lower than the five year average. We see current numbers are supportive for lamb prices in Feb/Mar, in part because we expect demand to recover and with less product in cold storage users will need to be more active in the spot market. Easter is earlier than normal in 2021 (April 4) and this means end users will have less time to accumulate inventory. COVID restaurant restrictions remain a key wild card, however. We think Easter 2021 will be the first major holiday where people will try to regain the normalcy they lost in 2020. If so, this could prove to be inflationary for meat products in general, including lamb.
- Retail activity for Thanksgiving and Christmas was quite good and in line with what we have seen in past years. There was some concern that COVID restrictions on family gatherings would impact retail features but that did not happen. Thanksgiving, Hanukkah and Christmas usually drive features in November and December and this year retail features during this period were only 6% lower than a year ago but about the same as in 2018. Features should be sharply lower in January but our expectation is that retailers will be much more aggressive in late March, similar to what we saw in 2018.

Top 10 States for Lamb/Sheep Slaughter and Production in November

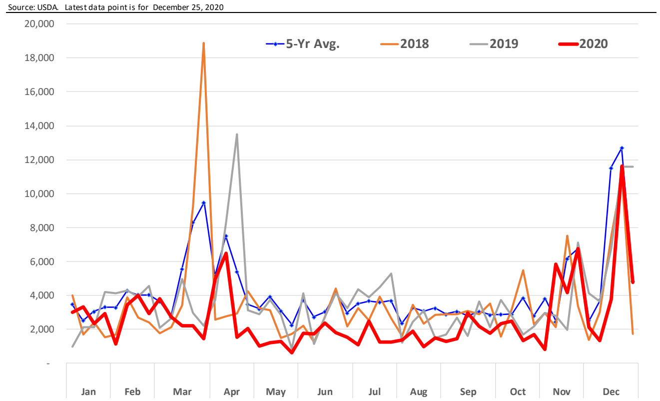
Source: USDA-NASS. Analysis by Steiner Consulting

	2019			2020			Y/Y % Ch.
	Sltr. '1000 hd	Live Wt. lb.	Prod. 1000 lb.	Sltr. '1000 hd	Live Wt. lb.	Prod. 1000 lb.	Productior
1 Colorado	60.8	151.0	9,161	43.4	147.0	6,383	-30%
2 California	22.2	138.0	3,045	26.0	136.0	3,541	16%
3 Texas	12.2	92.0	1,119	19.6	83.0	1,622	45%
4 New Jersey	12.9	79.0	1,014	14.2	83.0	1,172	16%
5 Pennsylvania	7.3	100.0	730	8.7	102.0	888	22%
6 Ohio	4.8	158.0	760	6.0	154.0	931	23%
7 Indiana	4.5	108.0	491	6.4	109.0	692	41%
8 Oregon	3.8	134.0	511	4.2	132.0	555	9%
9 New York	5.0	99.0	498	4.4	100.0	433	-13%
10 Illinois	4.2	89.0	375	3.4	75.0	256	-32%
Other	43.3	113.3	4,908	44.1	109.5	4,828	-2%
United States	181.0	125.0	22,612	180	118.0	21,301	-6%



NATIONAL RETAIL LAMB FEATURE REPORT: ACTIVITY INDEX

Source: USDA. Latest data point is for December 25, 2020



Imported Lamb Supply and Price Trends

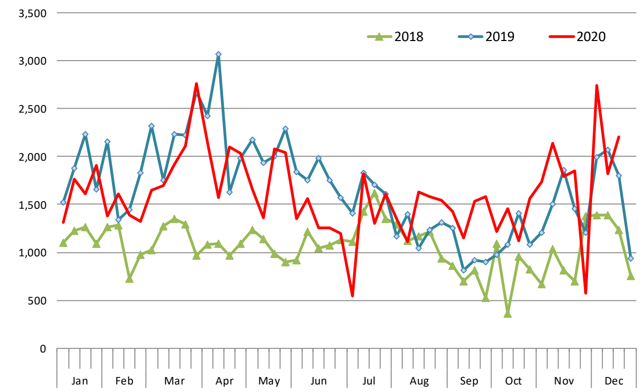
<u>As expected, lamb imports maintained a strong pace through December even as imports from Australia have slowed down.</u> According to USDA-AMS data, lamb imports in the six weeks ending December 19 averaged 1,832 MT/week, 6% higher than the same period a year ago. Imports from Australia averaged 1,230 MT, 5% lower than a year ago while imports from New Zealand at an average of 577 MT/week were up 35%. The slowdown in Australian imports was expected given the level of shipments in October and November. Back in August Australian lamb shipments to the US were 48% higher than the previous year and shipments in September were 25% higher. Those increases drove US import gains during September and October. However, in the last two months imports have been very close to year ago levels and we do not expect to see any significant increases in the near term. On the other hand imports from New Zealand are on the upswing and we expect to see a significant seasonal increase in February and March. Easter is earlier this year, which should pull imports forward by 2-3 weeks.

<u>Goat imports have been quite limited for much of the year and that trend continued in December.</u> Australia accounts for about 80% of all US goat meat imports. In the six weeks ending December 18 US goat meat imports from Australia averaged 129 MT/wk, down 55% compared to a year ago. Goat meat imports from New Zealand averaged 16 MT/wk, near the same level as a year ago. Mutton imports from Australia during the reference period averaged 296 MT per week, 3% lower than year ago levels. Australia accounts for most US mutton imports at this time.

<u>Little has changed in the price trend for imported lamb cuts. High value racks are weak and getting weaker while retail cuts are often near or even above year ago levels</u>:

- The price of imported lamb racks is down 30-35% compared to a year ago. As the chart below shows, rack prices have collapsed in the second half of the year as COVID restrictions continue to hammer white table cloth business.
- Retail items have performed well so far. Chillled shortloin prices at the end of December were 12% higher than a year ago and shoulder prices were up 6%.

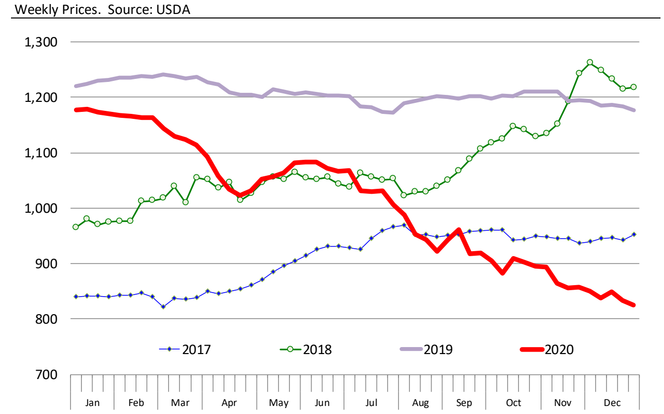
Weekly Total Lamb Imports. Data in Metric Ton, Product Wt. Basis.
Source: USDA-AMS



Summary of Australian Lamb Exports: Nov. 2020
Source: MAFF

	11/1/2019	11/1/2020	MT ch.	% ch.
China	7,267	5,300	(1,967)	-27%
Japan	686	652	(34)	-5%
South Korea	1,349	1,643	294	22%
Qatar	1,643	1,733	90	6%
Dubai	1,833	950	(883)	-48%
Jordan	906	311	(595)	-66%
USA East	3,408	3,289	(120)	-4%
USA West	1,722	1,961	239	14%
USA Total	5,130	5,249	119	2%
Malaysia	368	903	535	146%
Papua New Guinea	695	1,219	524	75%
Other	4,898	6,407	1,509	31%
Total Aus	**24,777**	**24,369**	**(408)**	**-2%**

Australian Lamb Racks, Fresh, Cap-off, 28 oz/up. 4-WK Moving Avg.
Weekly Prices. Source: USDA



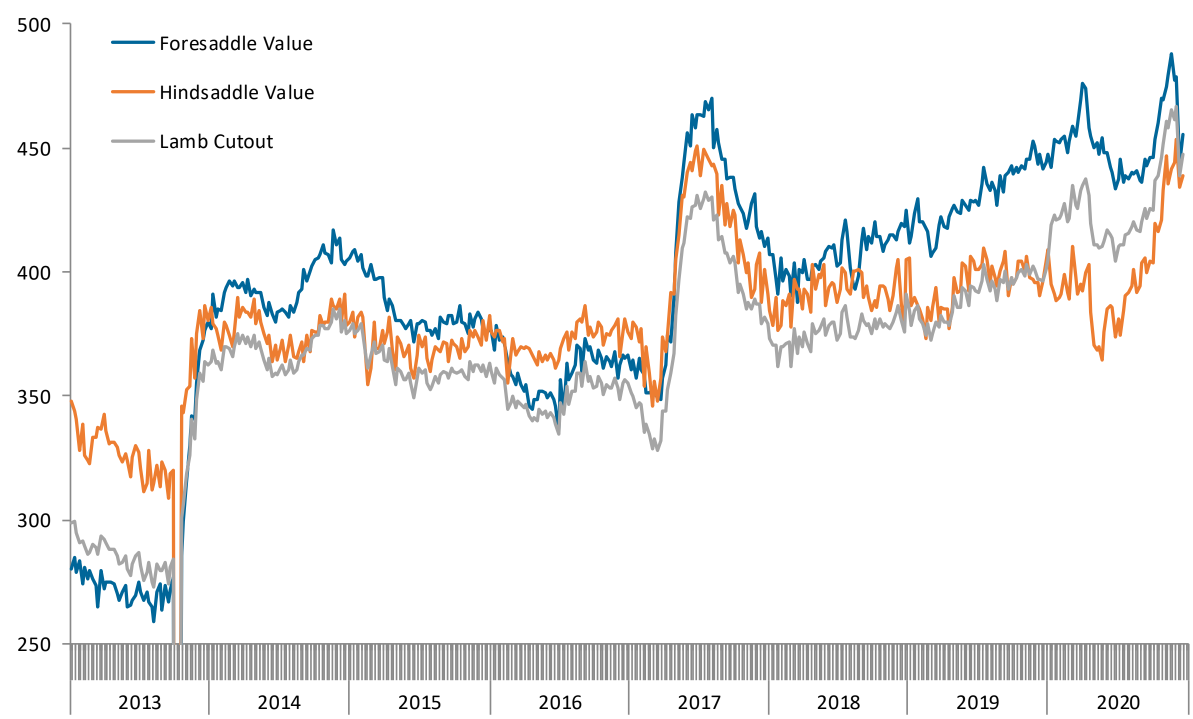
US Domestic Lamb Cut and Primal Values

Weekly Prices from USDA. Wt. Average

		12/18/2020 US$/cwt	12/11/2020 US$/cwt	w/w % ch.	12/20/2019 US$/cwt	y/y % ch.
Foresaddle	204 Rack, 8-Rib, Medium	934.4	872.7	7.1%	873.9	6.9%
	209 Breast	286.5	295.6	-3.1%	251.7	13.8%
	207 Shoulders, Square Cut	364.8	367.4	-0.7%	322.4	13.2%
	210 Foreshank	441.9	439.6	0.5%	419.2	5.4%
	Neck	201.5	219.1	-8.0%	185.8	8.5%
Foresaddle Value		455.7	443.2	2.8%	441.3	3.3%
Hindsaddle	232 Loin, Trimmed, 4x4	697.2	698.7	-0.2%	541.4	28.8%
	232E Flank, Untrimmed	211.9	179.2	18.3%	142.1	49.1%
	233A Leg, Trotter Off	390.0	380.7	2.4%	370.6	5.2%
Hindsaddle Value		438.7	433.9	1.1%	396.1	10.8%
Carcass Value		447.4	438.6	2.0%	396.3	12.9%

Hindsaddle, Foresaddle and Total Lamb Cutout Value

Source: USDA Mandatory Price Reporting System



Domestic Lamb Cutout Value, USA

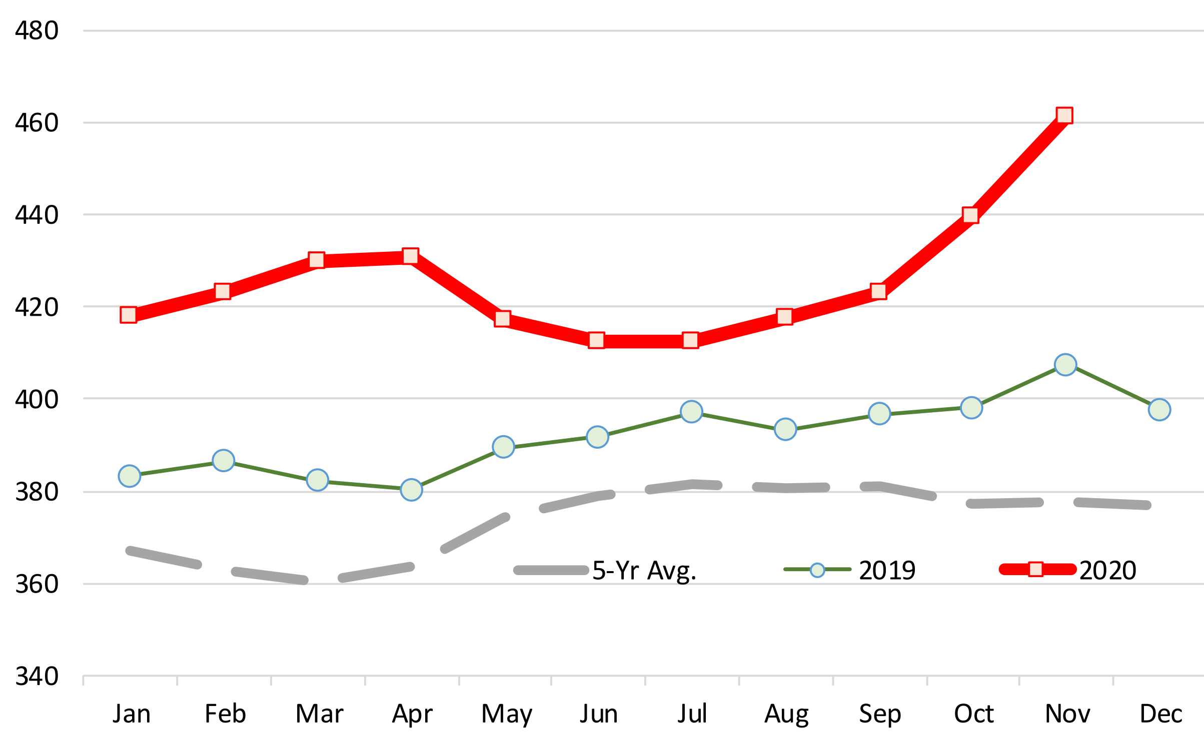
Source: Agricultural Marketin Service, USDA. $ per 100 lb. Dressed Carcass

	2015	2016	2017	2018	2019	2020	5-Yr Avg.	% ch. vs. Yr Ago	% ch. vs. 5-Yr Avg.
Jan	377.17	358.74	348.34	368.85	383.43	417.78	367.31	9.0%	13.7%
Feb	366.93	351.23	338.77	370.47	386.61	423.08	362.80	9.4%	16.6%
Mar	369.36	347.15	332.97	369.88	382.21	429.97	360.31	12.5%	19.3%
Apr	364.78	344.57	355.50	373.25	380.42	430.76	363.70	13.2%	18.4%
May	361.36	342.63	400.16	377.43	389.48	417.20	374.21	7.1%	11.5%
Jun	355.17	341.06	425.44	382.01	391.81	412.29	379.10	5.2%	8.8%
Jul	357.71	343.29	428.96	381.66	397.03	412.33	381.73	3.9%	8.0%
Aug	356.28	355.42	421.48	375.87	393.39	417.76	380.49	6.2%	9.8%
Sep	359.34	356.77	414.16	378.23	396.62	423.22	381.02	6.7%	11.1%
Oct	359.34	354.23	395.31	379.26	398.15	439.53	377.26	10.4%	16.5%
Nov	360.56	354.47	386.74	379.39	407.49	461.31	377.73	13.2%	22.1%
Dec	361.26	353.66	388.59	383.36	397.78		376.93		

Note: Monthly Cutout Value Calculated Using Weekly Data

USA Domestic Lamb Cutout Value

Monthly Avg. Price; Source: USDA



Slaughter Lamb Price, Sioux Falls, SD Basis

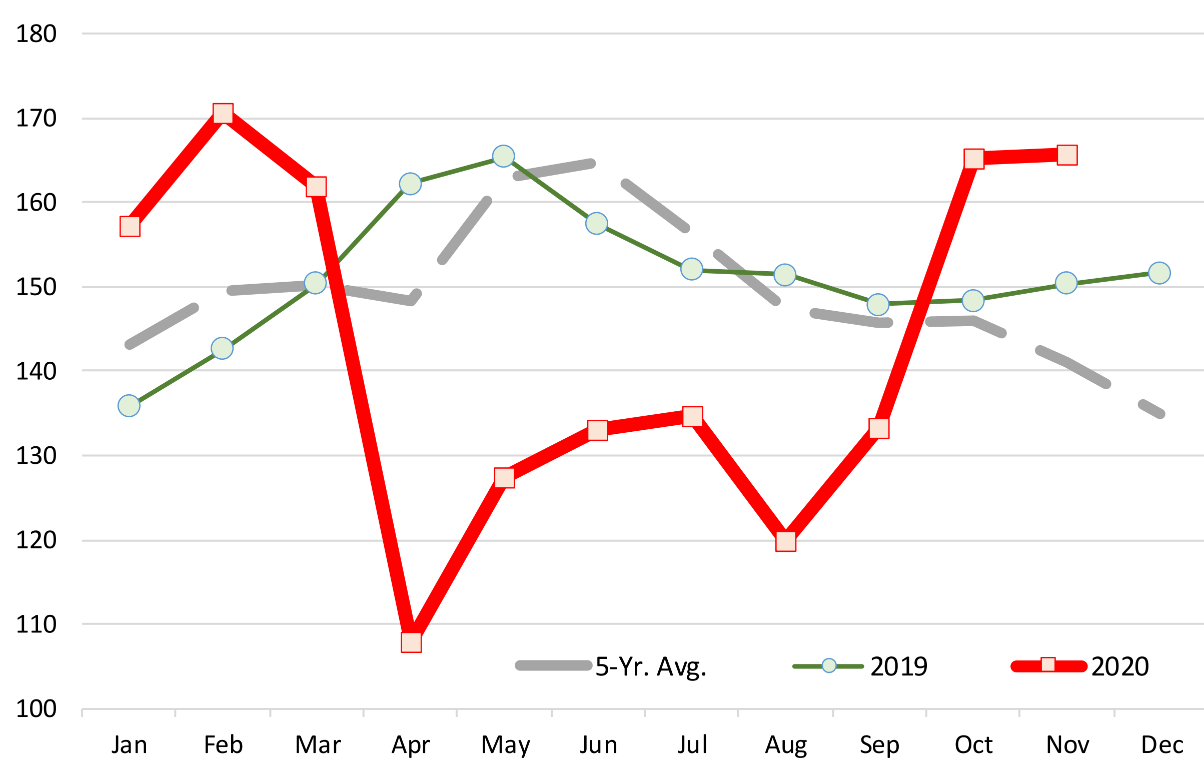
Monthly Average Prices, 100-150 lb. Wooled and Shorn, Choice & Prime 2-3 . $ per 100 lb.

	2015	2016	2017	2018	2019	2020	5-Yr. Avg.	% ch. vs. Yr Ago.	% ch. vs. 5-Yr Avg.
Jan	143.3	138.5	141.7	142.1	135.8	157.2	143.1	15.7%	9.8%
Feb	144.5	139.9	144.6	154.1	142.6	170.6	149.4	19.6%	14.2%
Mar	141.8	135.5	158.1	153.6	150.4	161.9	150.2	7.7%	7.8%
Apr	143.4	143.0	177.9	156.0	162.2	107.8	148.4	-33.5%	-27.3%
May	156.6	156.7	209.9	161.6	165.4	127.5	163.0	-22.9%	-21.7%
Jun	167.5	164.0	200.6	166.6	157.4	133.0	164.9	-15.5%	-19.3%
Jul	158.9	168.7	177.7	146.3	152.0	134.7	156.4	-11.4%	-13.8%
Aug	157.7	166.0	156.3	132.4	151.5	119.8	147.3	-20.9%	-18.7%
Sep	159.4	161.3	144.0	129.3	147.9	133.3	145.9	-9.9%	-8.6%
Oct	157.7	140.3	134.3	130.4	148.4	165.3	146.0	11.4%	13.2%
Nov	138.7	131.5	131.4	129.1	150.3	165.7	141.1	10.2%	17.4%
Dec	129.1	134.3	126.8	133.0	151.7		135.0		

Source: USDA

Slaughter Lamb Price, Sioux Falls, SD Basis

Monthly Average Prices, 100-150 lb. Wooled and Shorn, Choice & Prime 2-3 . $ per 100 lb.



Imported Lamb Price Summary

Source: USDA Agricultural Marketing Service, Mandatory Price Reporting

	2019 Volume	2019 Wt. Avg. $	2019 Implied Value	Dec 30, 2019	Dec 21, 2020	Dec 28, 2020	% ch. vs. wk Ago	% ch. vs. Year Ago
Fresh/Chilled								
	Pounds	$/lb.	Total $					
AUS Shortloin, 1-Rib, 0x0	8,528,127	$ 4.95	$ 42,199,023	$ 4.63	$ 5.04	$ 5.16	2.3%	11.5%
AUS Shoulder, Square-cut	4,481,193	$ 3.02	$ 13,543,443	$ 3.05	$ 3.34	$ 3.24	-3.0%	6.2%
AUS Rack, FR, Cap-off, 24-28 oz	797,608	$ 11.95	$ 9,532,114	$ 11.49	$ 8.44	$ 8.43	-0.1%	-26.6%
AUS Rack, FR, Cap-off, 28 oz/up	785,560	$ 12.07	$ 9,478,315	$ 11.76	$ 8.12	$ 8.09	-0.4%	-31.2%
AUS Shortloin, 1-Rib, 1x1	740,994	$ 4.26	$ 3,153,708	$ -	$ 4.48	$ 4.39	-1.9%	
AUS Leg, semi bnls	574,293	$ 3.71	$ 2,133,410	$ 3.95	$ 3.95	$ 3.96	0.2%	0.3%
AUS Rack, FR, Cap-off, 20-24 oz	307,216	$ 11.88	$ 3,650,508	$ 11.15	$ 8.04	$ 8.18	1.8%	-26.6%
AUS Foreshank, VP	135,199	$ 3.03	$ 410,129	$ 2.87	$ 3.27	$ 3.51	7.4%	22.2%
Subtotal	**16,350,190**	**$ 5.14**	**$ 84,100,651**	**$ 4.75**	**$ 4.87**	**$ 4.90**	**0.7%**	**3.2%**
Frozen								
AUS Leg, Long	8,370,493	$ 2.39	$ 20,019,990	$ 3.76	$ 3.45	$ 3.71	7.6%	-1.3%
AUS Foreshank, LP	3,790,731	$ 2.39	$ 9,066,419	$ 2.75	$ 2.60	$ 2.71	4.3%	-1.4%
AUS Shoulder, Square-cut	2,513,670	$ 2.39	$ 6,012,029	$ 2.74	$ 2.71	$ 2.69	-0.7%	-1.8%
AUS Leg, bnls	1,743,261	$ 2.39	$ 4,169,416	$ 3.77	$ 3.84	$ 3.79	-1.2%	0.7%
AUS Hindshank, LP	1,174,944	$ 2.39	$ 2,810,153	$ 2.82	$ 2.99	$ 3.09	3.3%	9.5%
AUS Shoulder, Square-cut, bnls	944,929	$ 2.39	$ 2,260,019	$ -	$ 3.93	$ 3.89	-0.9%	
AUS Rack, FR, Cap-off, 20-24 oz	862,556	$ 2.39	$ 2,063,004	$ -	$ 7.48	$ 7.02	-6.1%	#DIV/0!
AUS Rack, FR, Cap-off, 24-28 oz	706,739	$ 2.39	$ 1,690,331	$ 10.39	$ 6.71	$ 8.31	23.8%	-20.0%
AUS Rack, FR, Cap-off, 28 oz/up	671,365	$ 2.39	$ 1,605,726	$ 11.73	$ 6.64	$ 8.19	23.2%	-30.2%
AUS Hindshank, VP	40,426	$ 2.39	$ 96,688	$ 3.67	$ -	$ -		
NZ Rack, FR, Cap-off, 16-20 oz	3,524,701	$ 2.39	$ 8,430,146	$ 11.56	$ 8.35	$ 8.50	1.8%	-26.5%
NZ Rack, FR, Cap-off, 12-16 oz	1,665,018	$ 2.39	$ 3,982,280	$ 11.72	$ 8.35	$ 8.57	2.6%	-26.9%
NZ Rack, FR, Cap-off, 20 oz/up	1,107,888	$ 2.39	$ 2,649,773	$ 11.38	$ 7.42	$ 7.26	-2.2%	-36.2%
NZ Rack, FR, Cap-off, 12 oz/dn	86,283	$ 2.39	$ 206,366	$ 11.93	$ -	$ -		
Subtotal	**27,203,004**	**$ 2.39**	**$ 65,062,342**	**$ 5.44**	**$ 4.66**	**$ 4.84**	**4.0%**	**-11.0%**

Please note that the prices, volume and sales value reported above represents only subset of total US lamb imports. It only reflects the data reported through the Mandatory Price Reporting System. It is only for negotiated sales, no formula sales. Trade from smaller importers and traders is not included in the summary above. Data that does not meet the confidentiality guidelines also is not included in the above table.

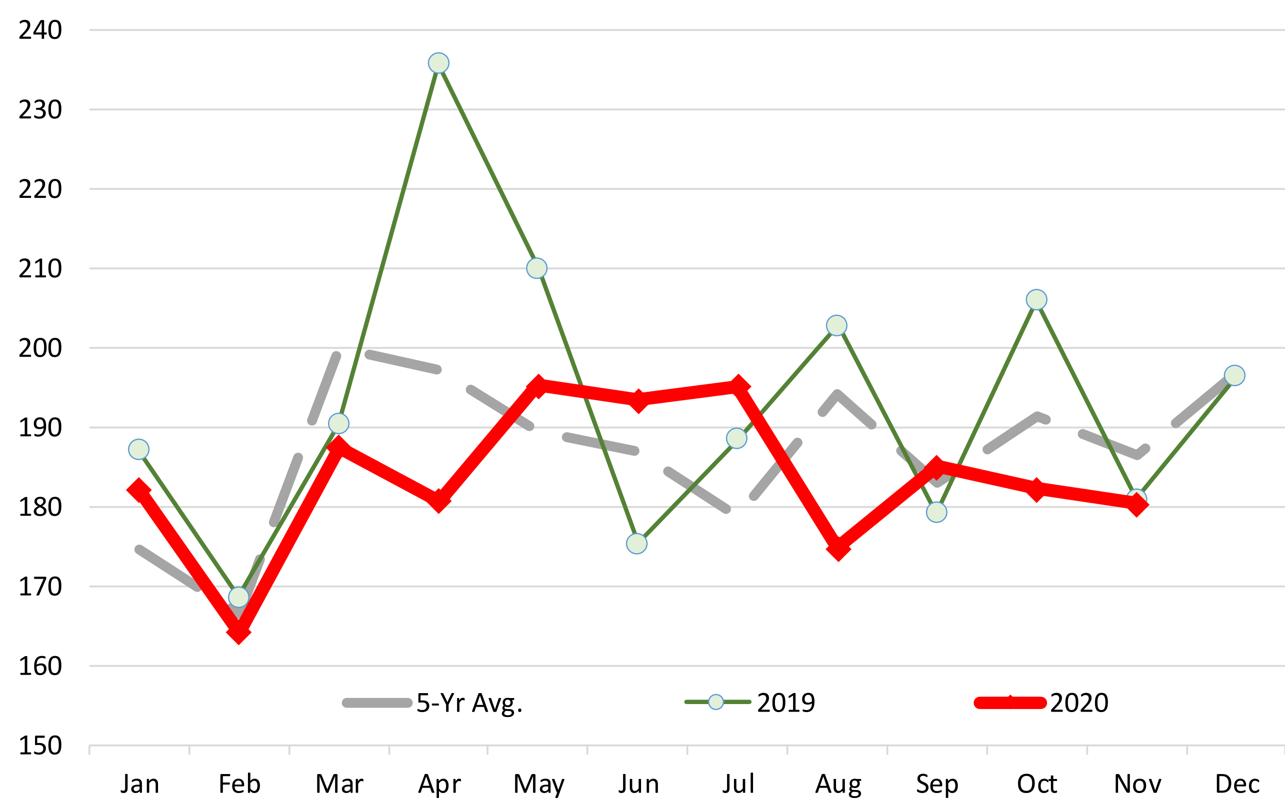
Lamb & Sheep Slaughter. Monthly. '000 Head

	2015	2016	2017	2018	2019	2020	5-Yr Avg.	% ch Yr Ago	% ch 5-Yr Avg.
Jan	167.0	160.8	177.4	180.6	187.2	182.2	174.6	-2.7%	4.4%
Feb	164.0	176.1	159.4	164.3	168.7	164.3	166.5	-2.6%	-1.3%
Mar	205.2	206.5	196.3	201.5	190.4	187.5	200.0	-1.5%	-6.2%
Apr	199.3	189.8	179.7	181.5	235.7	180.8	197.2	-23.3%	-8.3%
May	169.4	185.7	180.8	201.8	210.0	195.3	189.5	-7.0%	3.0%
Jun	194.9	195.9	187.7	180.6	175.4	193.4	186.9	10.3%	3.5%
Jul	188.0	170.2	166.9	180.0	188.6	195.2	178.7	3.5%	9.2%
Aug	175.2	193.4	194.6	205.4	202.9	174.8	194.3	-13.8%	-10.0%
Sep	192.9	194.0	176.4	172.2	179.3	185.1	183.0	3.2%	1.2%
Oct	185.9	181.6	183.5	199.9	206.0	182.3	191.4	-11.5%	-4.7%
Nov	181.4	186.9	187.4	195.3	181.0	180.4	186.4	-0.3%	-3.2%
Dec	200.4	197.0	188.1	201.8	196.5		196.8		

Source: USDA

Lamb & Sheep Slaughter. Monthly. '000 Head

Monthly Data. Source: USDA



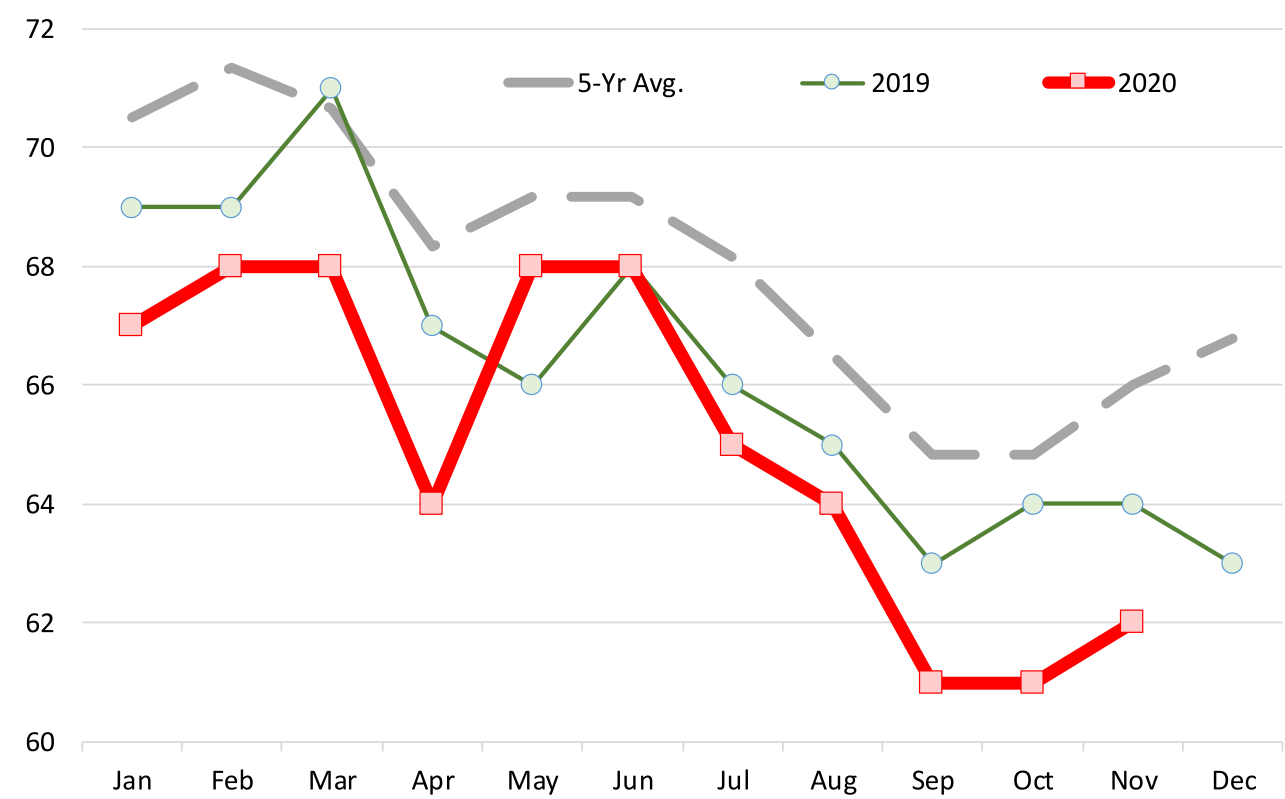
Lamb and Yearling Dressed Weights. Monthly. Avg. Pounds per Carcass

	2015	2016	2017	2018	2019	2020	5-Yr Avg.	% ch Yr Ago	% ch 5-Yr Avg.
Jan	72.00	71.00	71.00	73.00	69.00	67.00	70.50	-2.9%	-5.0%
Feb	72.00	73.00	72.00	74.00	69.00	68.00	71.33	-1.4%	-4.7%
Mar	71.00	70.00	72.00	72.00	71.00	68.00	70.67	-4.2%	-3.8%
Apr	71.00	70.00	67.00	71.00	67.00	64.00	68.33	-4.5%	-6.3%
May	72.00	72.00	67.00	70.00	66.00	68.00	69.17	3.0%	-1.7%
Jun	71.00	69.00	68.00	71.00	68.00	68.00	69.17	0.0%	-1.7%
Jul	71.00	69.00	68.00	70.00	66.00	65.00	68.17	-1.5%	-4.6%
Aug	69.00	66.00	67.00	68.00	65.00	64.00	66.50	-1.5%	-3.8%
Sep	66.00	64.00	66.00	69.00	63.00	61.00	64.83	-3.2%	-5.9%
Oct	66.00	65.00	66.00	67.00	64.00	61.00	64.83	-4.7%	-5.9%
Nov	67.00	67.00	68.00	68.00	64.00	62.00	66.00	-3.1%	-6.1%
Dec	67.00	68.00	69.00	67.00	63.00		66.80		

Source: USDA

Lamb and Yearling Dressed Weights. Monthly. Avg. Pounds per Carcass

Monthly Data. Source: USDA



Source: USDA

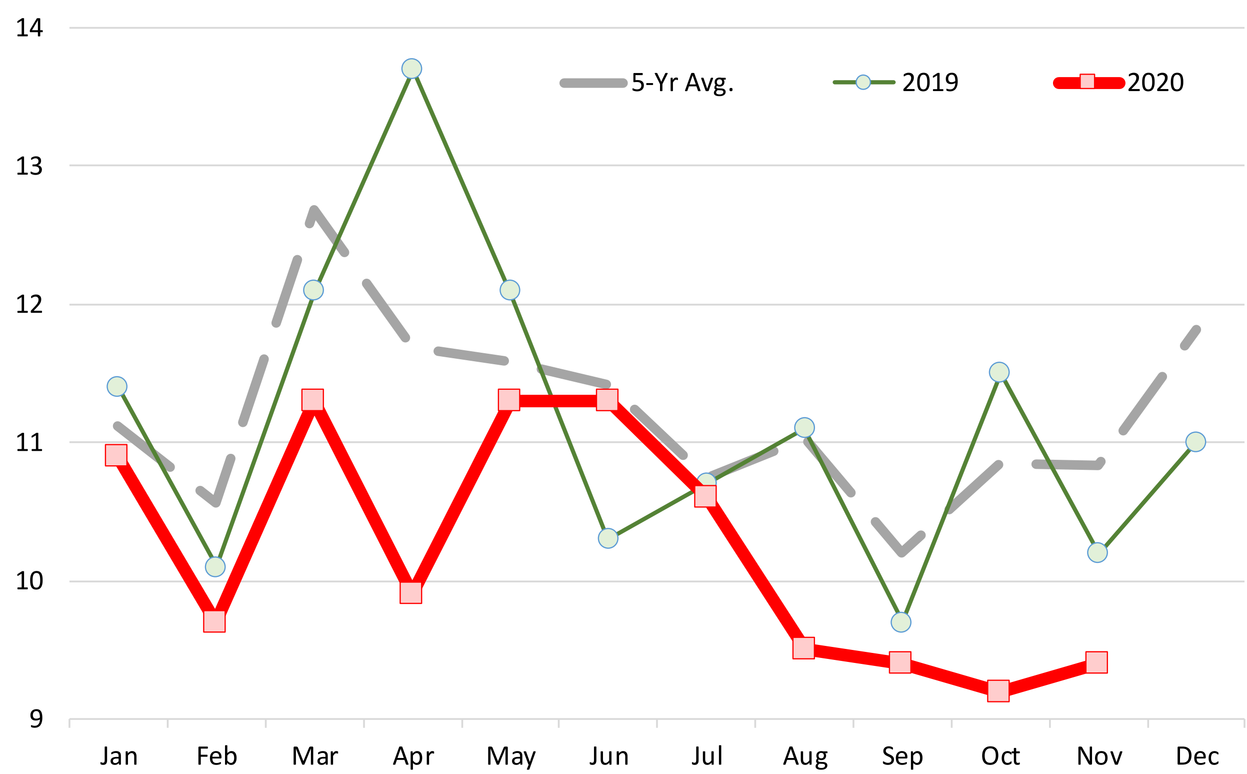
Lamb Yearling Production. Monthly. Carcass Wt. Basis. Million Lb.

	2015	2016	2017	2018	2019	2020	5-Yr Avg.	% ch Yr Ago	% ch 5-Yr Avg.
Jan	11.00	10.30	11.40	11.70	11.40	10.90	11.12	-4.4%	-1.9%
Feb	10.80	11.60	10.40	10.80	10.10	9.70	10.57	-4.0%	-8.2%
Mar	13.50	13.20	12.70	13.30	12.10	11.30	12.68	-6.6%	-10.9%
Apr	12.80	11.80	10.40	11.50	13.70	9.90	11.68	-27.7%	-15.3%
May	11.10	12.00	10.50	12.50	12.10	11.30	11.58	-6.6%	-2.4%
Jun	12.30	12.10	11.30	11.20	10.30	11.30	11.42	9.7%	-1.0%
Jul	11.80	10.50	9.90	11.00	10.70	10.60	10.75	-0.9%	-1.4%
Aug	10.60	11.50	11.60	11.90	11.10	9.50	11.03	-14.4%	-13.9%
Sep	11.00	10.90	10.10	10.10	9.70	9.40	10.20	-3.1%	-7.8%
Oct	10.90	10.70	10.90	11.90	11.50	9.20	10.85	-20.0%	-15.2%
Nov	10.90	11.30	11.40	11.80	10.20	9.40	10.83	-7.8%	-13.2%
Dec	12.30	12.10	11.80	11.90	11.00		11.82		

Source: USDA

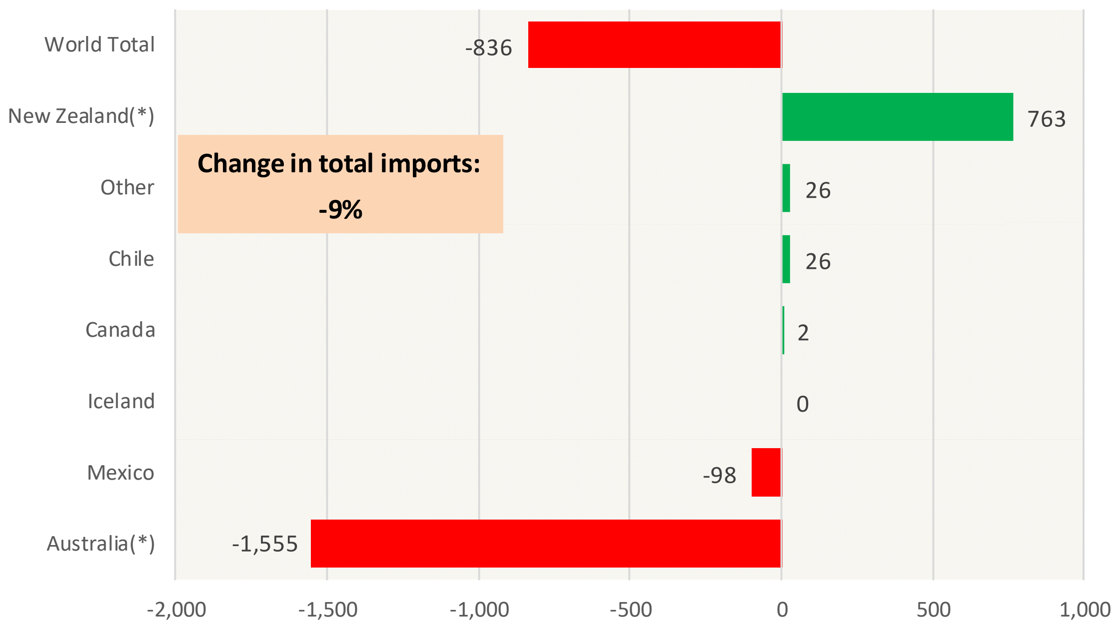
Lamb Yearling Production. Monthly. Carcass Wt. Basis. Million Lb.

Monthly Data. Source: USDA



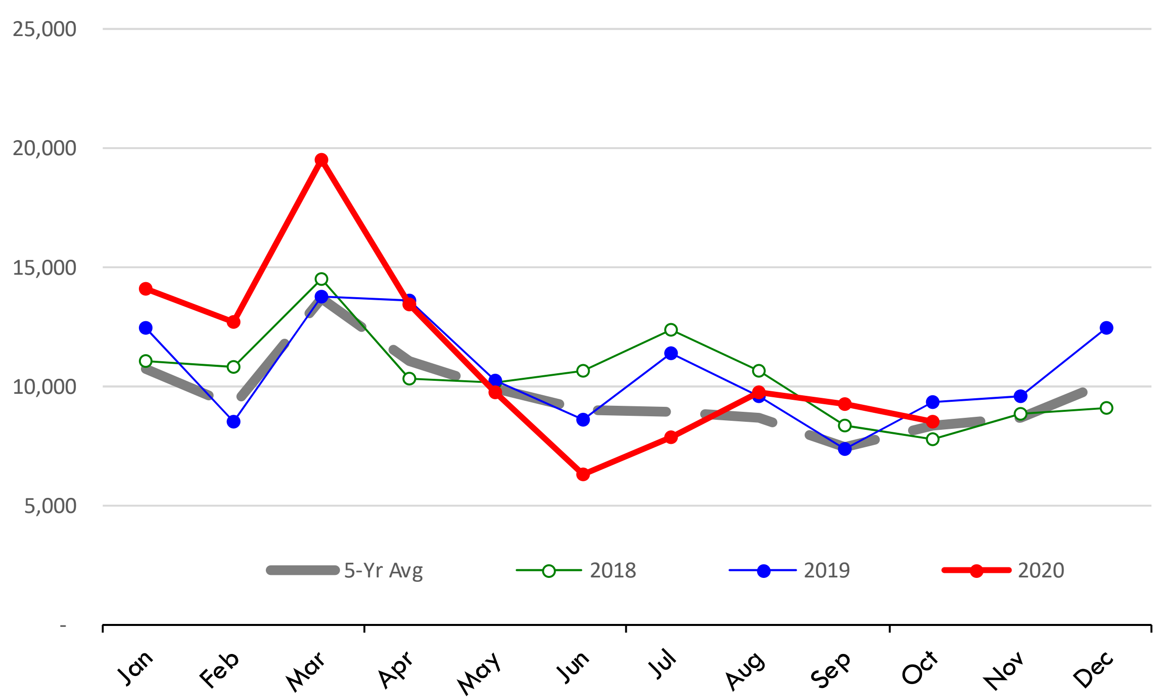
Y/Y Ch. in Oct. 20 vs. Oct. 19 US Mutton, Goat, Lamb Imports

Source: USDA/FAS Units: Metric Tons



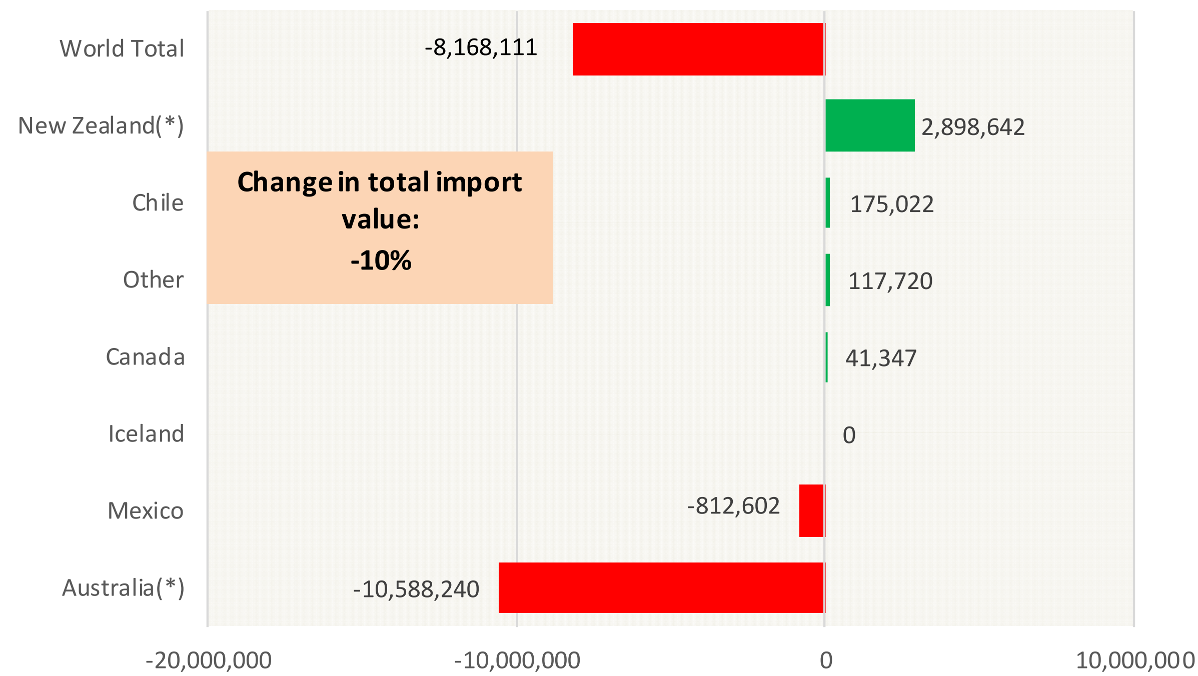
Quantity of US Imports of Fr/Frz Mutton, Goat, Lamb: World Total

Source: USDA/FAS. Units: Metric Ton. Analysis by: Steiner Consulting (800.526.4612)



Y/Y Ch. in Oct. 20 vs. Oct 19 US Mutton, Goat, Lamb Import Value ($)

Source: USDA/FAS Units: US Dollars



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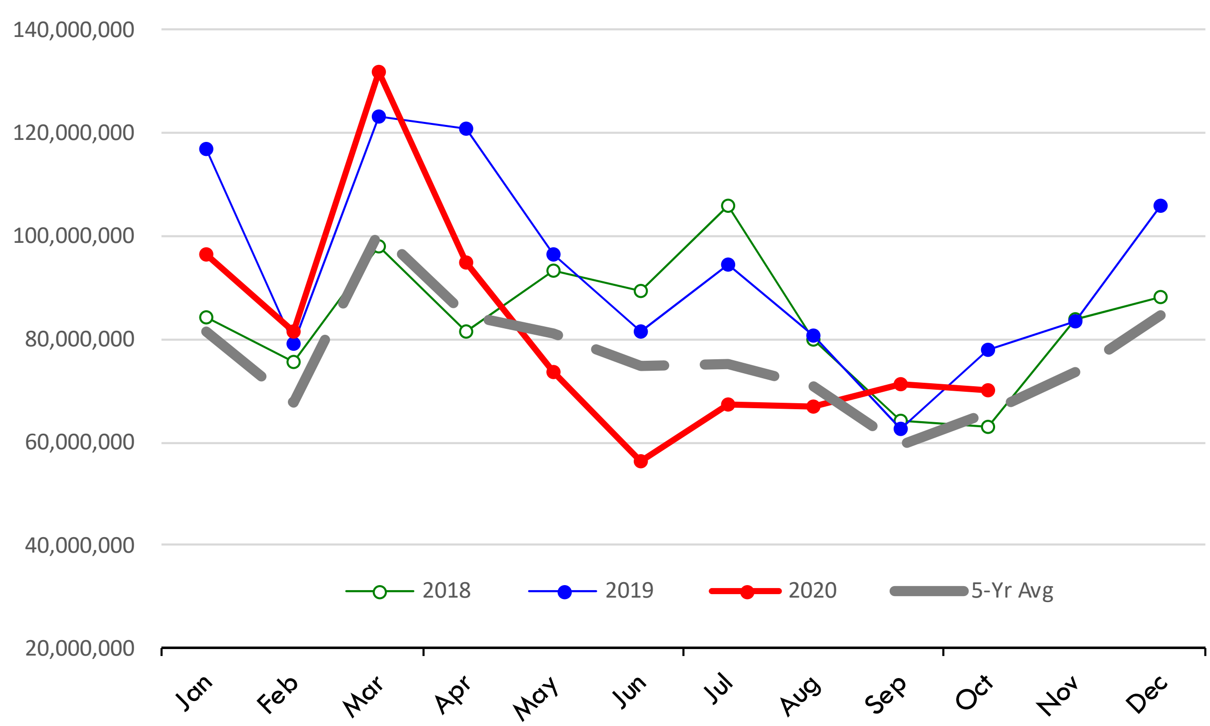
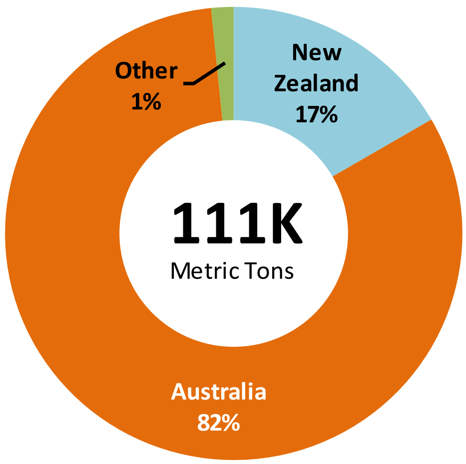


TOP US LAMB IMPORT MARKETS IN 2020

Total Volume and Country Shares for Period Jan - Oct 2020, MT



TOP US LAMB IMPORT MARKETS IN 2019

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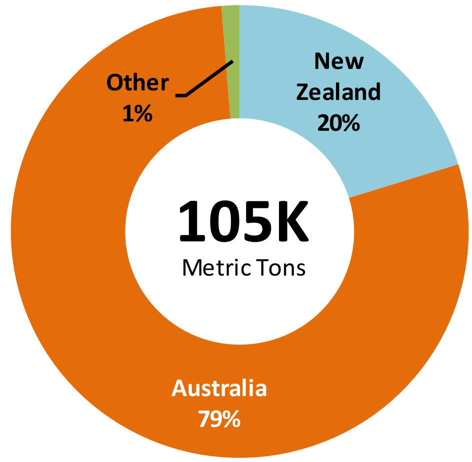
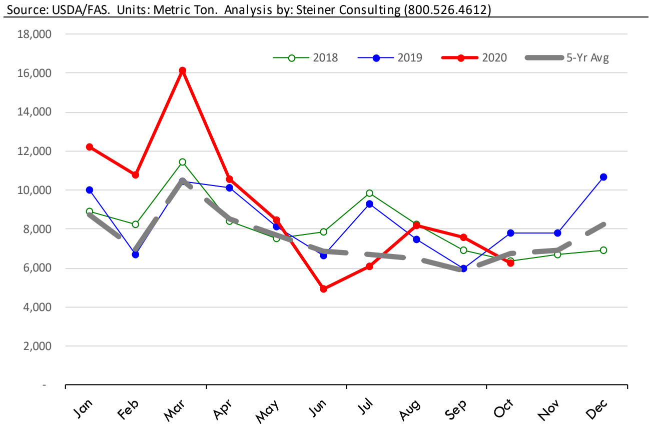


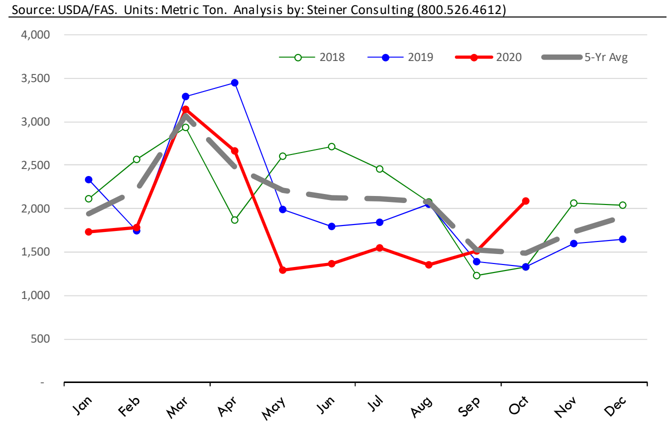
Quantity of US Imports of Fr/Frz Mutton, Goat, Lamb: Australia(*)

Source: USDA/FAS. Units: Metric Ton. Analysis by: Steiner Consulting (800.526.4612)



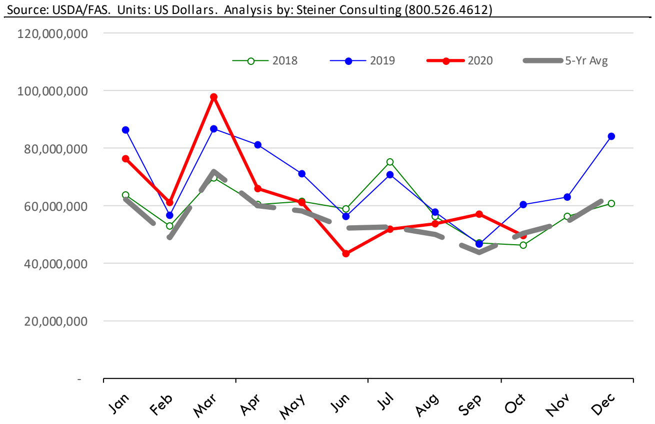
Quantity of US Imports of Fr/Frz Mutton, Goat, Lamb: New Zealand(*)

Source: USDA/FAS. Units: Metric Ton. Analysis by: Steiner Consulting (800.526.4612)



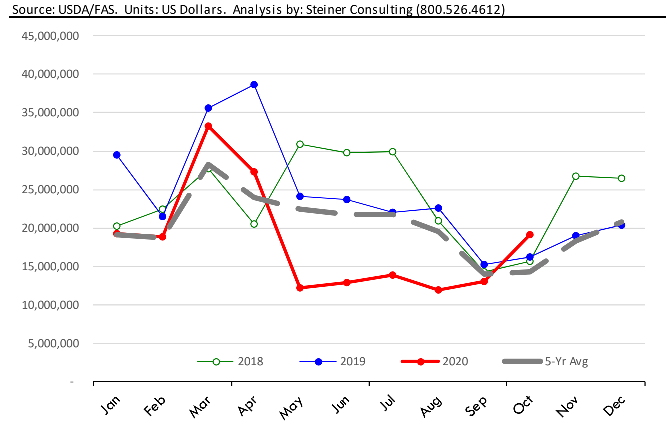
$ Value of US Imports of Fr/Frz Mutton, Goat, Lamb: Australia(*)

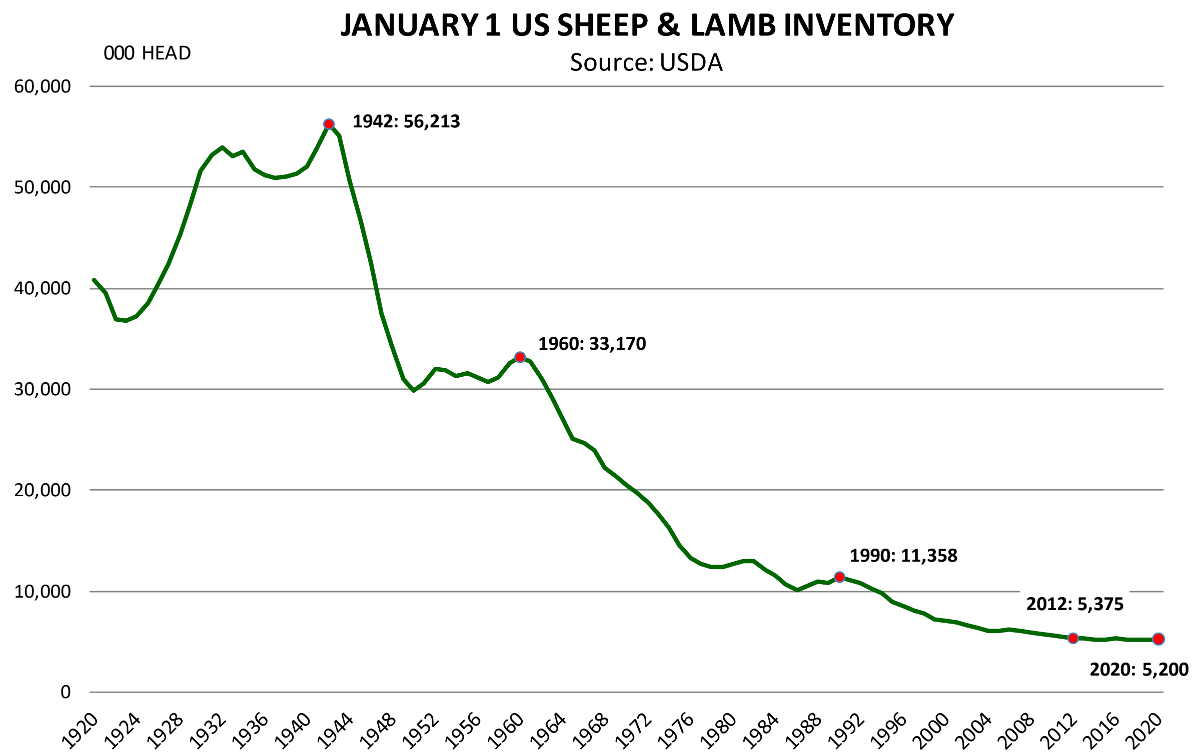
Source: USDA/FAS. Units: US Dollars. Analysis by: Steiner Consulting (800.526.4612)



$ Value of US Imports of Fr/Frz Mutton, Goat, Lamb: New Zealand(*)

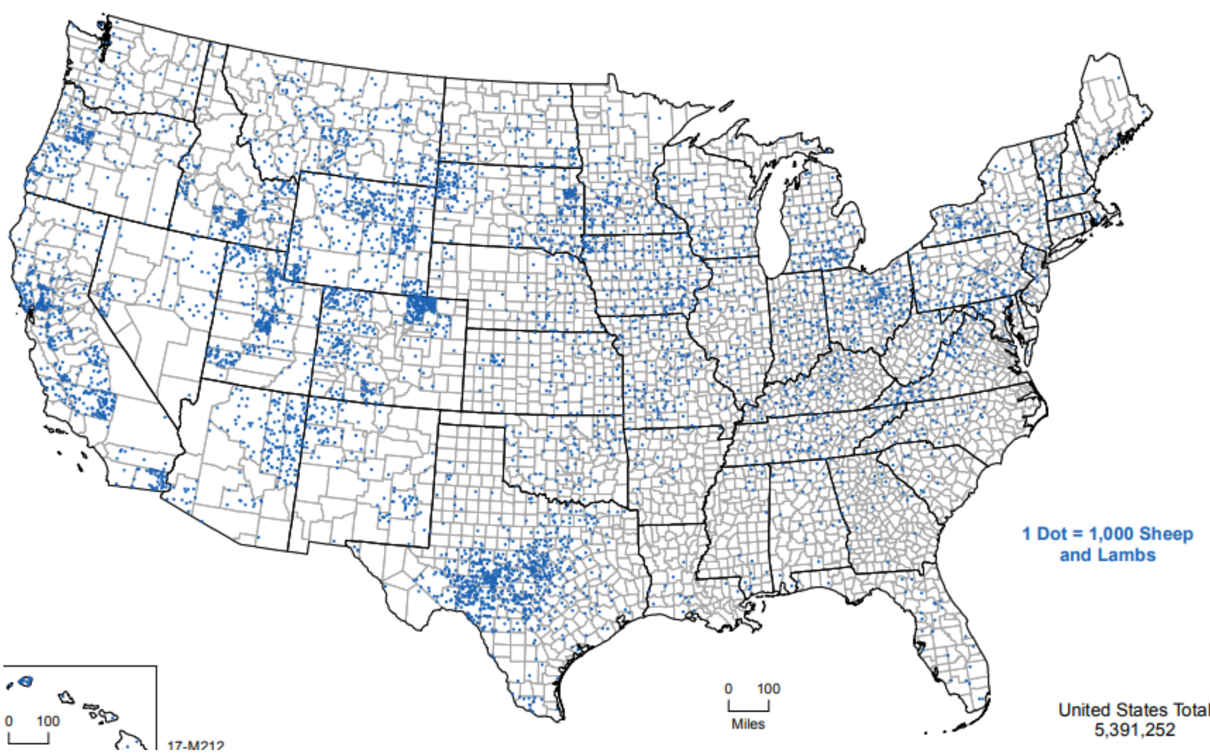
Source: USDA/FAS. Units: US Dollars. Analysis by: Steiner Consulting (800.526.4612)



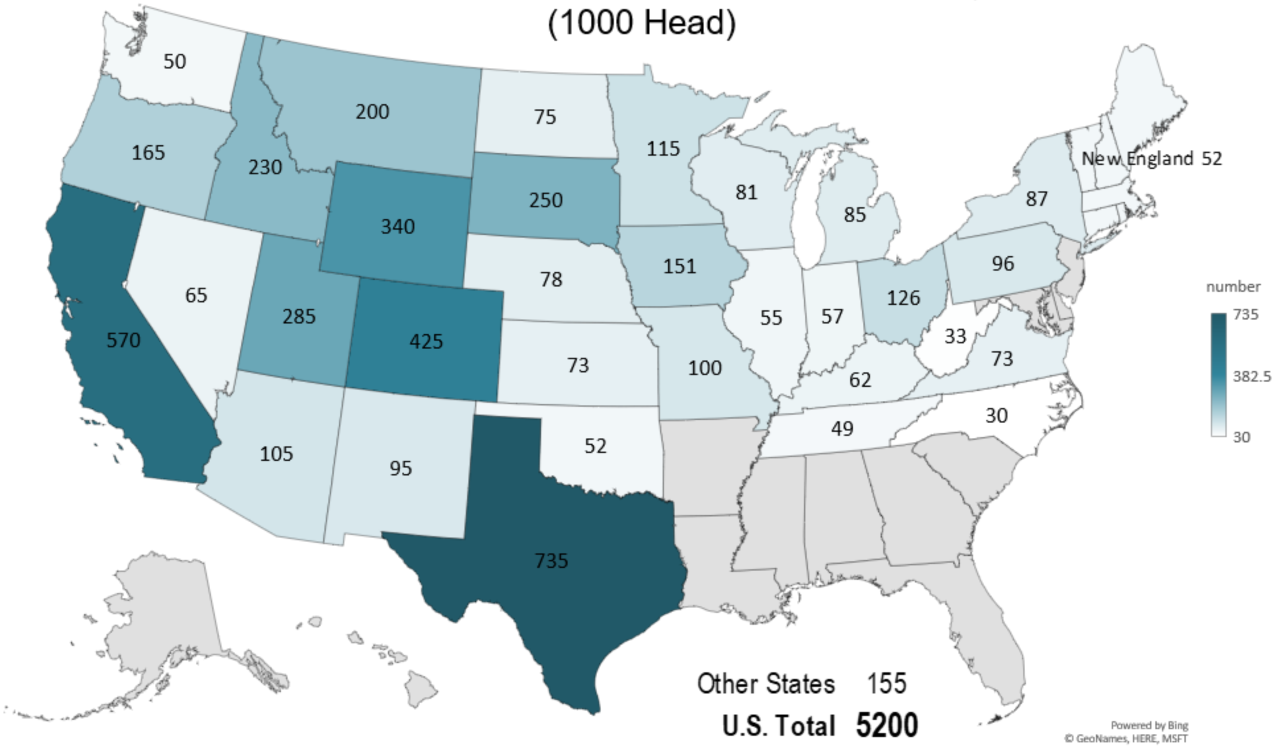


Lamb and Sheep Inventory According to the 2017 Census of Agriculture

Source: USDA-NASS



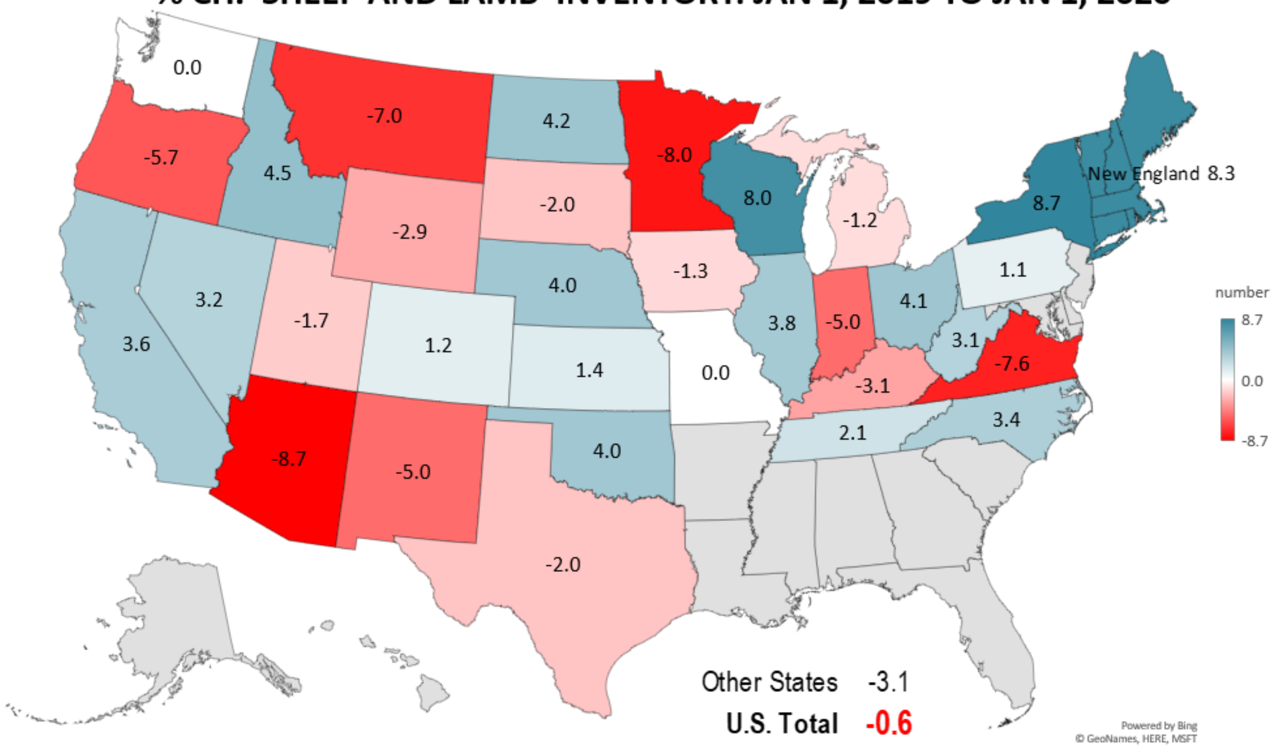
SHEEP AND LAMB NUMBERS JANUARY 1, 2020
(1000 Head)



Livestock Marketing Information Center
Data Source: USDA-NASS

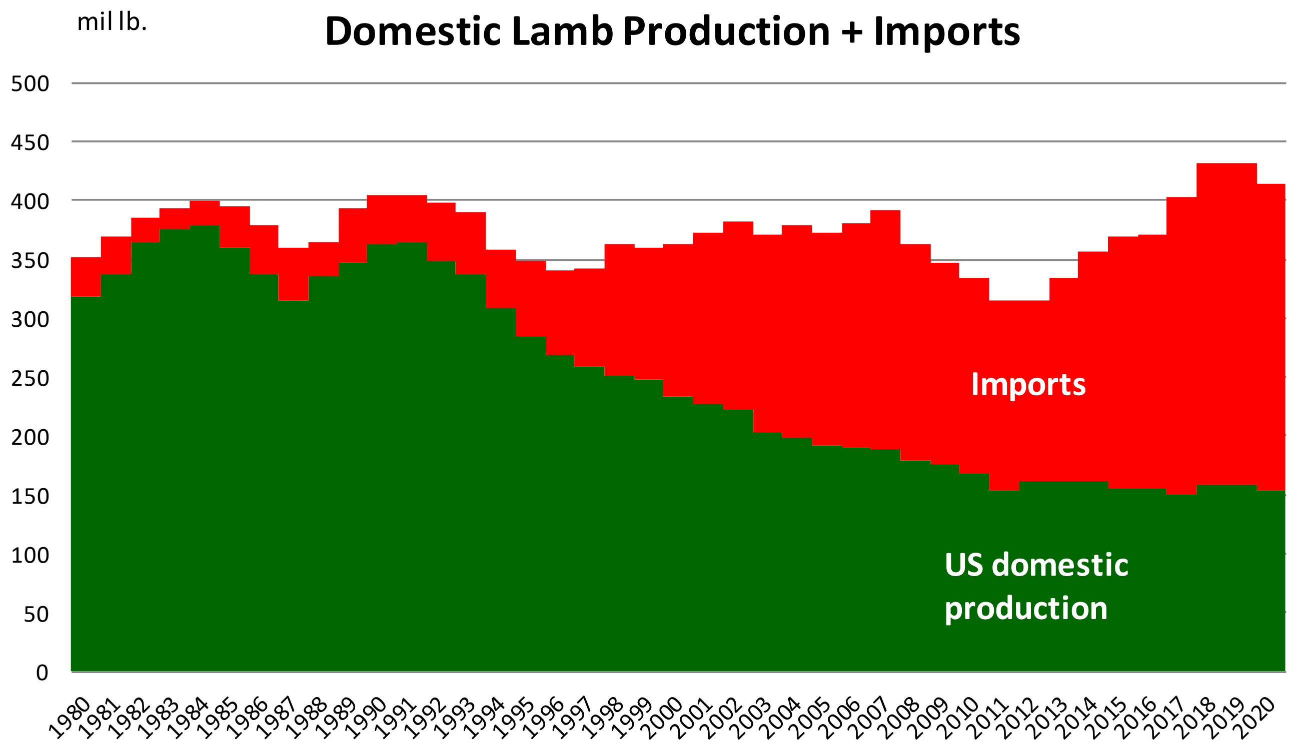
S-N-05
02/03/20

% CH. SHEEP AND LAMB INVENTORY: JAN 1, 2019 TO JAN 1, 2020



Livestock Marketing Information Center
Data Source: USDA-NASS

S-N-13
02/03/20


mil lb.
Domestic Lamb Production + Imports
500
450
400
350
300
250
200
150
100
50
0
Imports
US domestic production
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020