



Hybu Cig Cymru  
Meat Promotion Wales

# Lamb Supply: Update and Outlook

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## Introduction

*Lamb producers across Wales experienced a challenging working environment during 2022. Continued Covid-19 recovery, inflationary pressures on consumer demand, dry weather conditions and significant increases in farm input costs were all at play whilst return values were volatile. These factors have also impacted the typical throughput pattern of lambs recorded so far for the 2022-23 lamb crop, which in turn has influenced sheep meat supply levels during the second half of 2022. This report highlights the current supply of lamb on the UK market, along with the potential future supply and the factors influencing the supply chain.*

## Current Market

Following a year of strong liveweight prices in 2021, the prime lamb average price at auction markets in Wales was volatile in comparison – but remained above the 5-year average for the entirety of 2022. The liveweight SQQ reached a high of 341.2p/kg in June (some 6% higher than year-earlier levels), and ended the year at 237.6p/kg. Numbers coming forward to market each week were subdued overall during the latter half of the year when compared to 2021 levels. Deadweight prices across GB in 2022 also followed a similar trend to that of the liveweight price, and reached a high of 692.9p/kg in mid-June (4% higher than year-earlier levels).

The cull ewe trade in Wales has been more volatile in comparison to the lamb market. Prices trended above year-earlier levels for the majority of the first half of 2022, but trended below historical levels from there onwards. Despite this, the average did reach a high of £109.90/head at the start of June – some 13% higher than the highest level recorded in 2021. The combination of stronger market prices, input costs beginning to rise rapidly, and the effects of the drought may have encouraged producers to offload their less productive stock which put pressure on prices during the remainder of 2022.

A tightness in supply coming onto the market provided some support to prices during the year, however the demand for lamb on the domestic market dampened due to the cost-of-living crisis. Whilst already at a high price point, the average price of lamb at retail in GB has been rising, causing consumers to change their shopping habits. These habits include switching between cuts within a protein category (e.g., from lamb roasting joints to lamb chops) and



switching between protein sources (e.g., from lamb to beef or chicken). Lamb did perform well during Christmas 2022, however, with the category gaining an extra £1.2million from shoppers switching away from turkey crowns and joints (*source: Kantar*). Lamb experienced an almost 10% rise in volume sales during December which is positive news for the sector, but uncertainty remains whether the recent uplift in retail trends will remain.

The continued high input costs due to inflation impacted the profitability of the red meat sector in 2022, and therefore many farmers looked for ways to save on expenditure – such as reducing fertiliser use, reducing stocking rates, and improving efficiencies through utilising grazing techniques. Changes to fertiliser application rates will inevitably have a knock-on impact on future forage availability. If high input costs persist, then farmers will continue to limit supplemented forage and feed to their flock, with some farmers potentially sending lambs to slaughter earlier. This would increase supply onto the market in the short term – although these lambs would likely be presented with lighter carcass weights than anticipated.



## 2022-23 Lamb Crop

### Size

Understanding the potential supply of lambs for a given year can be difficult but is important for business planning. Defra releases June survey figures annually which can give an indication of the size of the lamb crop. Figures recently released by Defra reveal that on 1 June 2022 the total flock size (which includes sheep and lambs) on UK farms was up 0.3% on the year at 33.1 million head. This was driven by a 1% increase in the size of the breeding flock – particularly the number of ewes intended for first time breeding. The number of lambs on the ground (aged under one years old) in the UK stood at 16.4 million head. This is very similar to the number of lambs present on 1 June 2021 (just 2,000 fewer). This would suggest there is a similar supply of lambs available to the UK market when compared to recent years.

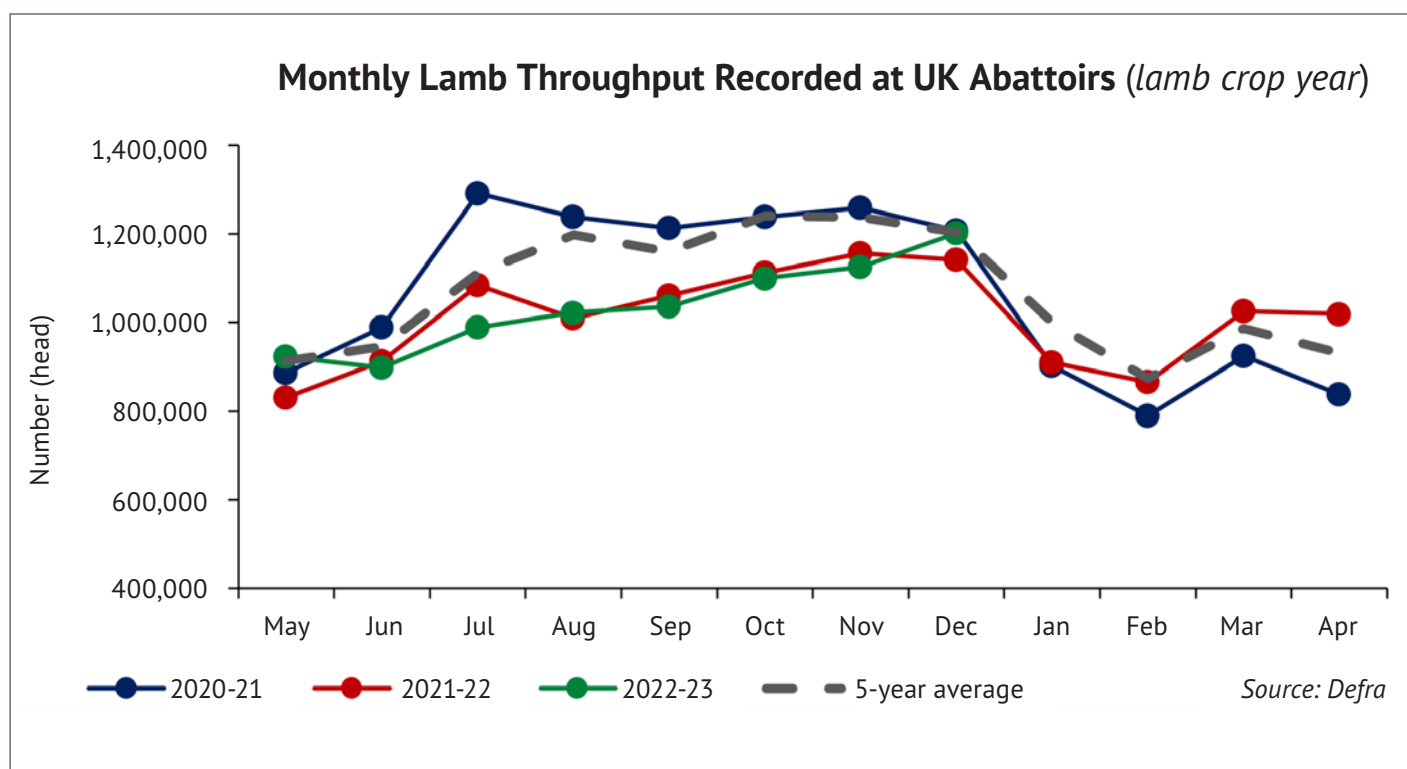
### Current Throughput

Throughput data, also collated by Defra, would suggest that the number of lambs presented to slaughter in the UK

last year (i.e. the 2021-22 lamb crop) was not in line with historical averages. Similar throughput levels were recorded for the 3 consecutive lamb crops before (ranging between 12.7-12.9 million head). This throughput level accounts for around 77% of the total size of the lamb crop on the ground each year (i.e., we would *expect* to process 77% of the lamb crop). Looking at the 2018/19, 2019/20, and 2020/21 lamb crops, around 71% of the *expected* total kill were processed during the May to December period.

This year, however, a total of 8.3 million head of lambs have been slaughtered – which is just 66% of the *expected* total lamb slaughter for the current lamb crop year. This would suggest that throughput levels are *below* what would be expected, given the size of the lamb crop.

As shown in the graph below, monthly throughput levels of the current lamb crop have been steadily increasing month by month since July. Levels are, however, significantly below that of the 5-year average for each month – bar May and most recently December.



The months of September through to December usually record peak levels of throughput due to seasonality, of which is true for the current lamb crop. Looking at historical patterns, throughput numbers would then reduce during the first quarter of the new year.

## Remaining Throughput

While it is difficult to predict the number of lambs which remain to be slaughtered from the current lamb crop, some assumptions can be made. The UK June survey data suggests that the 2022-23 lamb crop size is similar to that of the previous year, therefore, a similar number of lambs would be expected to come forward. However – patterns experienced last year were different to the norm.

As previously highlighted, the UK usually processes around 77% of the lamb crop in any given year. As only 66% of the *expected* lambs to be slaughtered have already been processed so far (up until December 2022), the remaining 34% of the lambs are expected to come forward between January 2023 and April 2023. Due to the size of the current 2022-23 lamb crop, this would be equivalent to 4.3 million lambs. When compared to the 2021-22 lamb crop, this is a 13% increase (or 513,500 head) in the number of lambs left

to be slaughtered, and an additional 25% when compared to the 2020-21 lamb crop. This would suggest there is a higher carry over of Old Season Lambs into 2023 which will likely apply pressure to farmgate prices as an increased number of lambs come forward.

Some industry reports suggest that lambs have been lacking finish following a dry summer and increased feed costs, but are expected to come forward during the next few weeks as they reach their weight. Current lower farmgate prices may however deter producers from encouraging lambs to market, whilst high input costs (along with some uncertainty within the sector) would mean a dramatic increase in retention rates is unlikely.

## Wales

Figures released by Defra for throughput at slaughterhouses in Wales do not separate within species throughput – i.e., between lambs and adult sheep, and therefore it is difficult to state the number of lambs that have already come forwards for slaughter. Total sheep slaughter in Wales between May and December 2022 currently stands at 1.7 million head. This is below both 2021 and 2020 levels, which suggests that the picture in Wales is reflecting the trends seen in lamb throughput at UK level.

The June survey data for Wales suggests that the total number of sheep and lambs on Welsh farms on 1 June 2022 was 9.4 million head – some 1% below numbers recorded in June 2021. The driver for this trend was a significant reduction in the number of sheep in the 'Other, aged 1+ years' category which was down 31% on the year. The number of lambs left on farm was some 2% fewer than year-earlier levels at 4.6 million head, whilst the number of ewes for further/future breeding stood at 4.4 million head (down 0.4% on the year). Overall, this would suggest that the 2023-24 lamb crop will be of a similar size to the current crop (2022-23) as the breeding flock is of a similar size – provided external factors don't have a negative impact.

## Looking Ahead

The size of the ewe breeding flock has a direct influence on lamb supply on the domestic market. The latest UK June survey for 2022 shows that the size of the breeding flock (ewes aged 1 year and over) stood at 15.8 million head – which is an increase of around 1.0% on the year. Following contractions in recent years, this flock size is similar to



levels seen in 2019. From this data, it is forecast that the 2023-24 lamb crop may be larger than the previous couple of years due to a higher number of breeding ewes on the ground. External factors – such as weather conditions and diseases – also influence the size of the lamb crop in any given year, and therefore it is difficult to account for these factors in any forecast.

At the time of writing, anecdotal industry reports imply that early scanning percentages are below expectations. If this remains true, fewer lambs will be on the ground than originally anticipated. Additionally, producer intentions may be further impacted if input costs remain high. For example – we may experience higher culling rates and lower retention rates within the flock in order to control their expenditure whilst obtaining a return from the market. These actions would impact the supply of lamb onto the market in Wales and the UK as a whole (both in the short term and in the longer term).

Much of the export trade is dependent on production levels and availability on the domestic market. At the time of writing, the November 2022 data revealed that export volumes for the year to date for fresh/frozen sheep meat stood around 9% higher than year-earlier levels (*source: HMRC*). The trading environment for 2023 will remain a competitive market place, but there are opportunities for further recovery to pre-Covid levels. Per capita lamb consumption – both on the domestic market and globally – will however impact the performance of the sector, with sustainability concerns and price increases playing a key role in consumer choice of proteins.

## Summary

- Both liveweight and deadweight farmgate prices have begun 2023 below year-earlier levels – but are above the historical 5-year average.
- Demand for lamb on the domestic market has dampened due to the cost-of-living crisis.
- The number of lambs on the ground on 1 June 2022 in the UK stood at 16.4 million head – down just 0.01% on the year.
- The total throughput of lambs from the current lamb crop (2022-23) so far this year is below what would be expected given the size of the crop.
- A dry summer and high farm input costs may have delayed lamb finishing times, whilst the limited domestic demand would not have encouraged any additional numbers forward.
- Looking at the remainder of the 2022-23 lamb crop; the market will likely experience an increased number of lambs coming forward during the first few months of 2023.
- It is forecast that the 2023-24 lamb crop in the UK might be slightly larger than the previous crop, but continued elevated farm input costs may influence stocking rates on farm along with potentially lower scanning percentages.

## Notes

*Data obtained from HMRC, Defra, and Kantar were reported in January 2023 and are subject to revision. Volume data is reported in tonnes (carcase weight equivalent).*



