

Adventures in Thin Markets, Contracting, and Concentration: Today's Lamb Market

**Western Section, American Society of Animal
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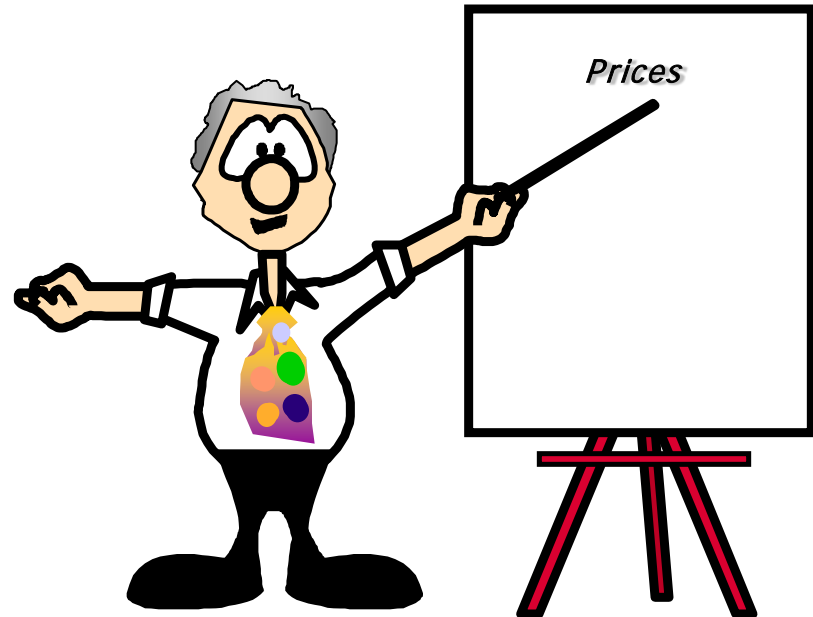
Professor and Extension Economist

Livestock and Food Products Marketing



Overview

- Anatomy of the Crash
- This Sounds Familiar
- Economic Factors



Anatomy of the Crash

- Record High Prices
 - Quantity demanded declines
- Retailers Buy Less, Lower Prices
- Packers Jawbone Producers Lower
- Packers Don't Buy, or Feeders Don't Sell
 - Lambs keep eating, over-finished, more supplies
- Poor Quality Further Hurts Demand

We Have Been Here Before (It's déjà vu All Over Again)

- 1950s
 - Congressional study of lamb market
 - Wool growers association
- Late 1980s, Early 1990s
 - “A&M Study”
 - Falling prices, over-finished lamb
- Early 2000s

"Classic" Economic Events

- Lamb is Non-Storable
 - Keep eating, get fatter, overfinished, age
 - Can't store in freezer for long
 - Must sell at whatever market will bear
- Concentrated Market
 - Few buyers
 - Potential for market power
- Industry Segments Not Closely Tied
 - Rare that all profit at the same time

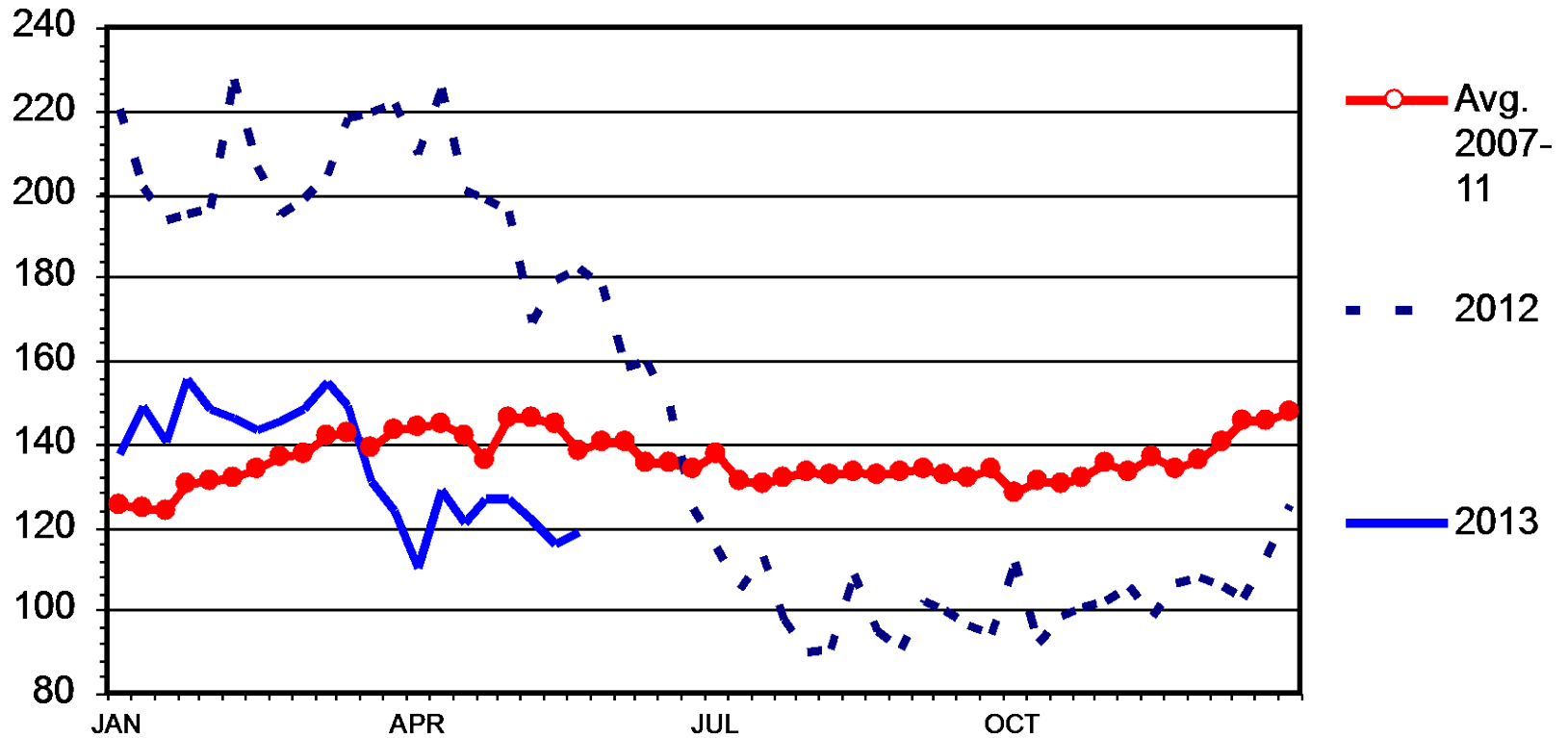
Rebuilding Demand

- Can Sell at a High Price
 - As long as consumer perceives a high value
 - Tough to compete at higher price
- Rebuild Demand After:
 - High prices
 - Poor quality
- How Do We Get Those Consumers Back?

FEEDER LAMB PRICES

3-Market Average; CO, TX & SD; Weekly

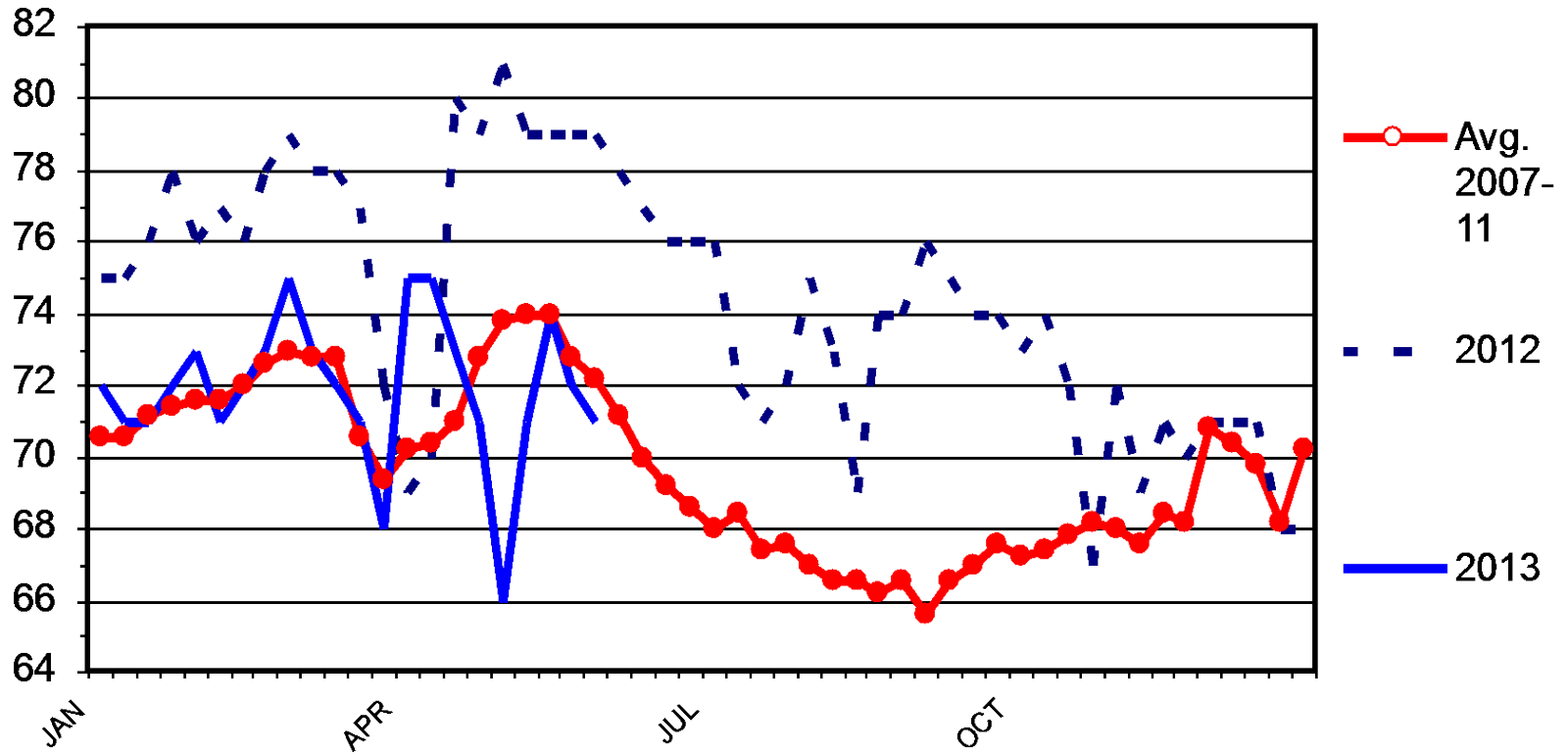
\$ Per Cwt.



LAMB AND YEARLING DRESSED WEIGHT

Federally Inspected, Weekly

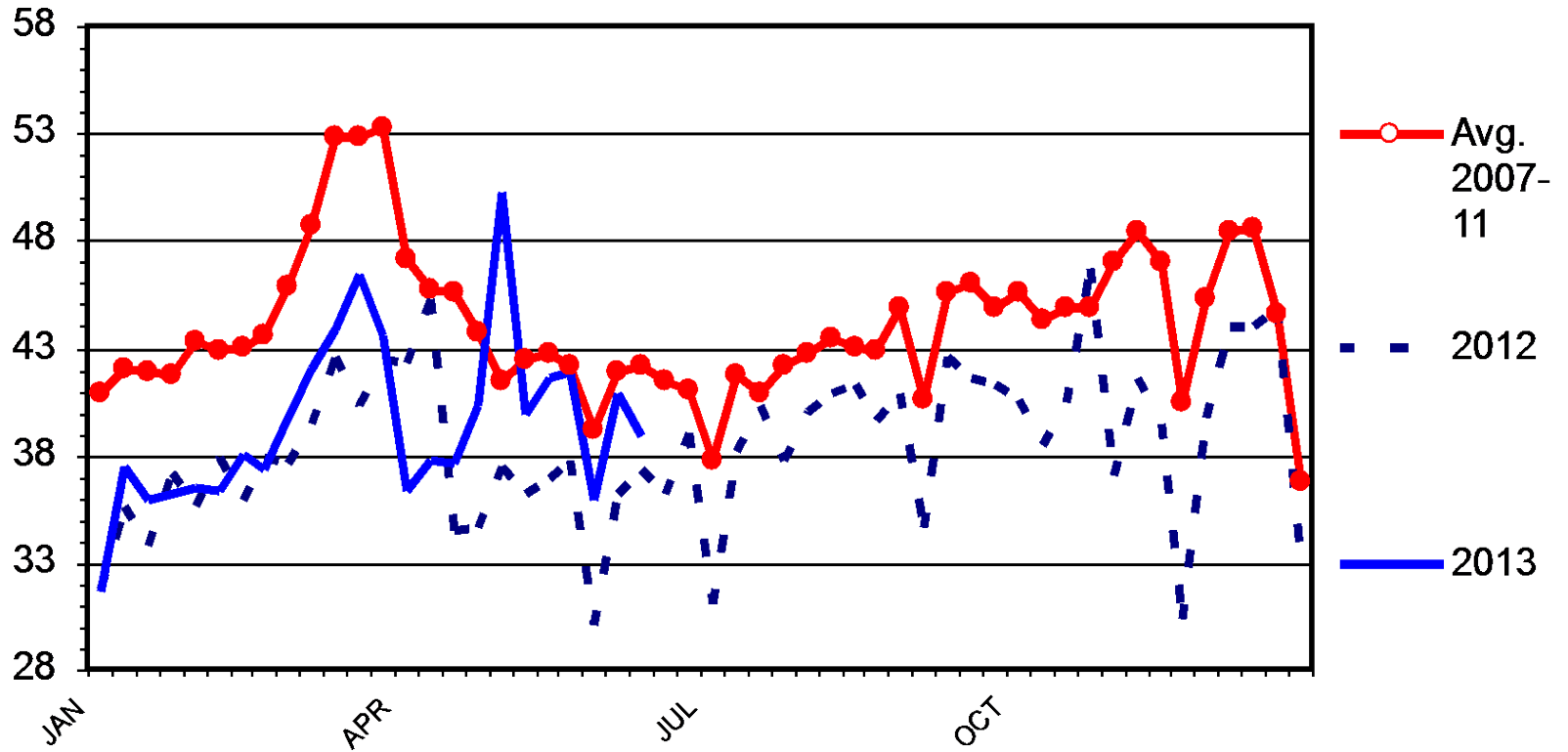
Pounds



SHEEP AND LAMB SLAUGHTER

Federally Inspected, Weekly

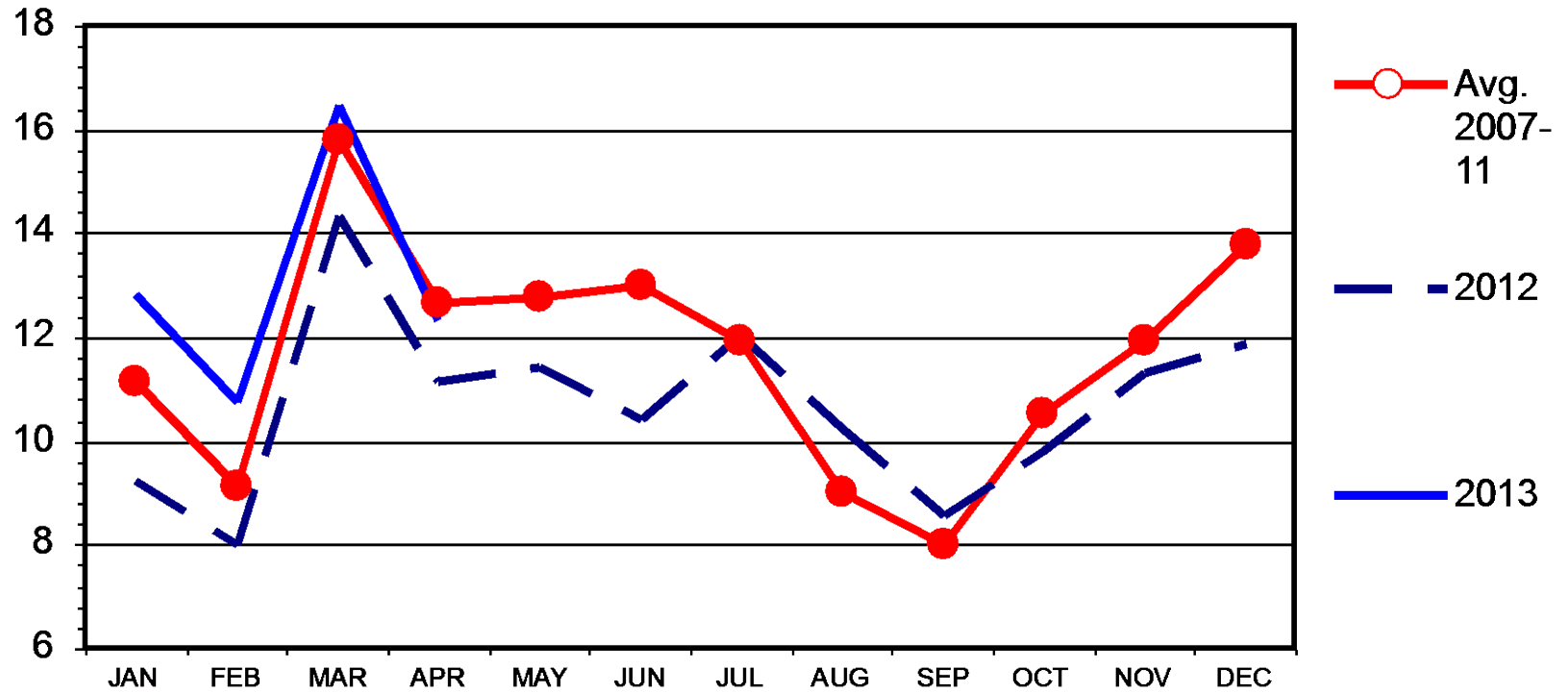
Thou. Head



U S LAMB IMPORTS

Carcass Weight, Monthly

Mil. Pounds



Where To From Here?

- How Do We Prevent This From Happening Again?
- Can We Be More Coordinated?

THANK YOU!
