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

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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
Where To From Here?

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