Lamb Inventory and Market Update
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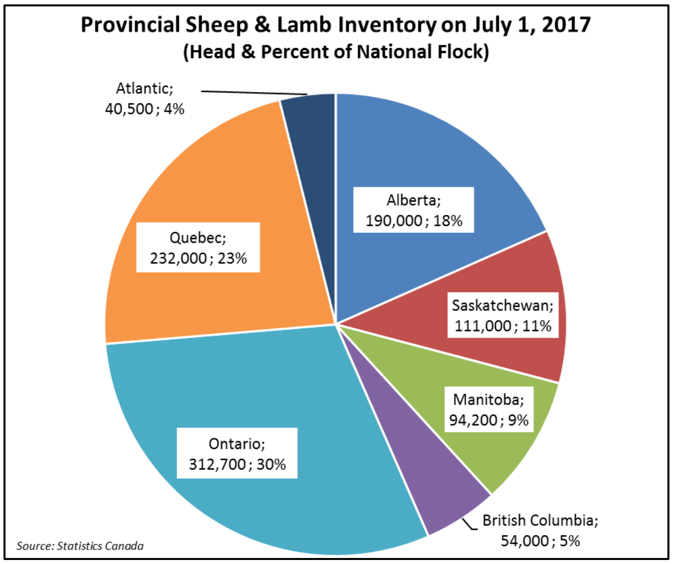
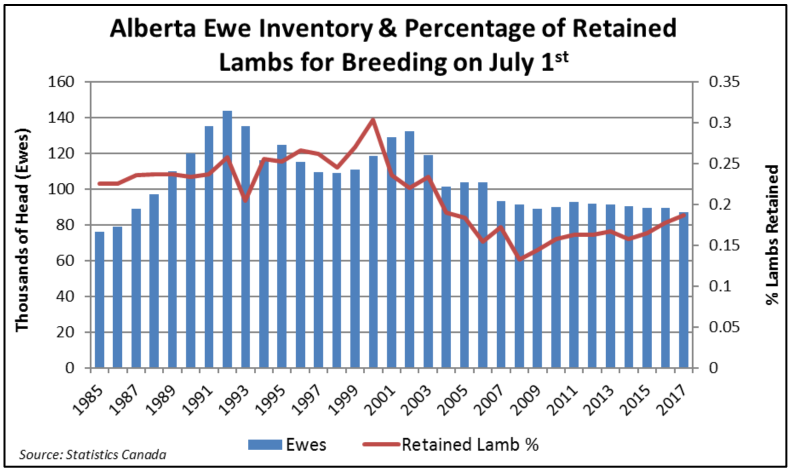
Statistics Canada released the July 1 Livestock Inventory estimates in mid-August. The results show sheep and lamb numbers continue their long-term decline with the national flock down 1.8% to sit at 1,034,400 head.



Canada's lamb and sheep flock has been declining since 2012 and is down over 9% in the last 5 years. Since 2011 ewe numbers have decreased 10% to 521,100 this year while lambs retained for breeding have declined 16.75% since 2012. The decreasing breeding flock has reduced market lambs 7% or over 30,000 head since 2012. Total lambs for marketing stood at 401,700 head on July 1, 2017.

Provincially, lamb and sheep numbers were up in British Columbia (1,000 head), Manitoba (5,200 head) and PEI (700 head). All other provinces were down. Alberta's total sheep flock was down 1.6% to sit at 190,000.

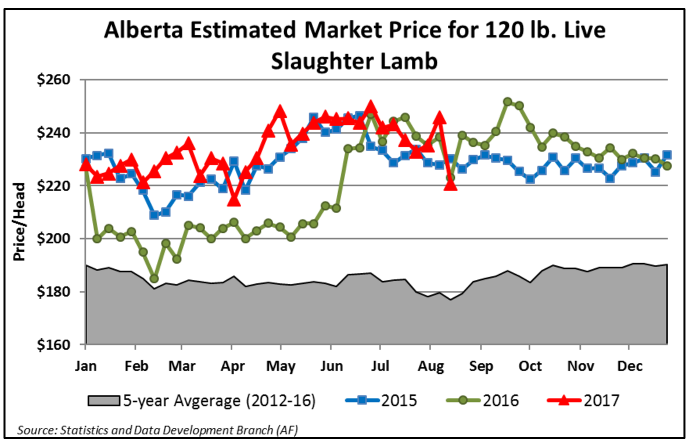
The breeding flock also decreased in Alberta with ewe numbers down 2,600 head to 86,800. Alberta producers did retain more lambs for breeding, up 300 head to 16,200 head. Since 2008 the number of lambs retained for breeding as a percentage of total ewes has been increasing in Alberta. Initially, the indication would signal expansion of the flock, however during this time the number of ewes culled has significantly outpaced lambs retained for breeding. While this does not signal expansion activity, it does point to a younger breeding flock.



Overall, expansion of the sheep flock remains on hold even though market prices and demand are signaling expansion through positive estimated margins in the industry. Potential reasons for producers holding back on expansion plans include ongoing market volatility, land prices, age and market access concerns.

Lamb Market Update

Since 2015 the estimated Alberta slaughter lamb market price has been trending higher. Prices have varied from a low of $185 per head in early 2016 to a high of $250 per head in summer of 2017. The year to date average estimated price for an Alberta slaughter lamb is $234 per head, up 10% from 2016 and 27% higher than the 5-year average.



Slaughter lamb prices are being supported by stable demand, lower year to date Canadian slaughter and lower lamb/sheep inventories. Year to date federally inspected slaughter is reported at just under 100,000 head, down 5.6% year over year. Provincially inspected slaughter is running very close to year ago levels at just under 169,000 head for the January to June period.

Combined imports of lamb and mutton are up 0.3% to 12.65 million kilograms in 2017. Breaking lamb and mutton apart shows lamb imports are down 1.2% while mutton imports are up 9.3%. Canadian lamb imports have increased from the United States and Ireland as ongoing flock expansion has decreased Australian lamb exports.

The Australian sheep industry continues to expand which is limiting production in 2017 but dry winter conditions in key lamb/sheep regions may lead to increased culling in the coming months. Projections for 2018 report Australian lamb and mutton production up 3.2%.

New Zealand's sheep industry decreased for the second year in row. Sheep numbers have been slow to recover after drought conditions in areas of the South Island and an outbreak of facial eczema in areas of the North Island in 2016 led to increased culling of the breeding flock. However, good lambing conditions in 2017 have increased New Zealand's lamb crop projections by 1.1%, this in turn is expected to increase lamb production in 2018.

Stable demand will continue to support the Alberta lamb market. Historical analysis shows that slaughter lamb prices typically strengthen in the fall and peak in December which corresponds with ethnic and holiday demand periods. For Alberta producers this implies that demand for good quality finished lambs will continue with prices expected to remain above the 5-year average for the balance of 2017.