



User's Guide to USDA's Lamb Carcass Cutout

December 2021

The lamb carcass cutout value represents the estimated value of a lamb carcass based on prices paid for individual lamb items from the carcass. The cutout value is published at 3 p.m. Central each weekday on the USDA Estimated National Lamb Carcass Cutout Report under report number [LM_XL502](#). The individual lamb item prices utilized in the cutout calculation are derived from sales published each weekday at 3 p.m. Central on the National 5-Day Rolling Average Boxed Lamb Cuts - Negotiated Sales Report under report number [LM_XL500](#). Historical data for both reports is available on the USDA [DataMart](#) website.

The lamb item sale prices used in calculating the lamb cutout meet the following criteria:

- All lamb item transactions are original sales by firms covered under Livestock Mandatory Reporting (LMR) to first time buyers. The threshold for LMR is firms slaughtering (or processing the equivalent of) an average of 35,000 head of lambs per year.
- Sales are negotiated, with the product delivering within 0-21 calendar days to the domestic market.
- Lamb items are referenced according to the [Institutional Meat Purchase Specifications](#) (IMPS) when possible and are limited to the [USDA Prime and Choice grades](#).
- Sale prices of all lamb items are quoted on an F.O.B. plant basis (delivered price minus freight cost).
- Prices of lamb items are a 5-day rolling weighted average. This ensures an adequate market test for item prices used as input data in the cutout calculation.

The cutout report is used by the various segments of the lamb industry as a price barometer for trade negotiations with other parties. Companies also use the cutout report as a standard by which to gauge their company or even their personal performance. Finally, some segments of the industry may use the report as an impartial starting point on which to base formulations and contracts. As packers and producers continually strive to improve their business, many look to the lamb cutout to provide a pricing basis.

What the Cutout Represents

The lamb cutout represents the estimated value of a lamb carcass for a given day based on prices being paid for individual lamb items. As mentioned, the values in the lamb cutout are expressed in dollars per hundredweight (cwt). For example, a lamb cutout value of \$300.00 means a 100-pound carcass is worth \$300.00 total dollars. However, a 70-pound lamb carcass is worth 70% of that, or \$210.00 total dollars ($\$300 \times 70\% = \210).

A single carcass cutout value exists for all carcass weight categories, as the many pounds of individual lamb items cannot be directly sourced back to each separate carcass with its corresponding weight. This reality of modern lamb fabrication is why AMS publishes a single carcass value representing all weights, while the yield percentages are based on a 65-pound carcass.

The cutout report lists a Gross Cutout Value, which represents the cutout value including average expenses for processing and packaging. From the gross value, AMS deducts \$62.00 per cwt for processing and packaging to arrive at a Net Carcass Value. The \$62.00 is an average cost paid by firms covered under LMR, with individual company costs held in strict confidence by AMS. The lamb carcass cutout does not include revenue from pelts or offal products.

Lamb Cutout Calculation

The lamb cutout calculation begins with individual item prices from the LM_XL500 report. These individual items are listed on the left side of the LM_XL502 report shown in Figure 1 below as the report appears in publication. The first numerical column shows the lamb item's F.O.B. cwt price, followed by the daily change. Next is the item's fabrication yield to the carcass. This yield percentage is also an average of LMR firms with individual data kept in strict confidence. The final column is the weight of each individual lamb item in pounds.

Figure 1

Imps	Items	FOB Price Cwt	Change	%Carcass	LBS
Foresaddle					
204	Rack, 8-Rib Medium	\$853.26	\$-0.98	5.65%	3.90
204c	Rack, Roast-Ready, Fr	\$1,740.33	\$13.08	3.07%	2.12
209	Breast **	\$323.33	\$-1.14	8.45%	5.83
207	Shoulders, Sq-Cut	\$359.72	\$-0.01	23.10%	15.94
210	Foreshank	\$449.16	\$0.53	3.25%	2.24
	Neck **	\$233.41	\$0.46	2.17%	1.50
	Fat And Bone	\$10.00	\$0.00	3.50%	2.42
296	Ground Lamb	\$613.96	\$1.21	1.95%	1.35
	Shrink			0.35%	0.24
Hindsaddle					
232	Loins, Trimmed 4x4	\$704.40	\$2.08	5.56%	3.84
232	Loins, Trimmed 1x1	\$848.49	\$3.63	3.81%	2.63
232e	Flank, Untrimmed **	\$215.74	\$-3.81	3.22%	2.22
233a	Leg, Trotter Off	\$438.01	\$3.00	15.81%	10.91
234	Leg, Boneless, Tied	\$626.23	\$-2.70	10.24%	7.07
	Fat And Bone	\$10.00	\$0.00	7.56%	5.22
296	Ground Lamb	\$613.96	\$1.21	1.96%	1.35
	Shrink			0.35%	0.24
	Gross Carcass Value:	\$468.64	\$0.65	100.00%	69.00
	Foresaddle Value	\$473.95	\$0.58	51.49%	35.53
	Hindsaddle Value	\$463.01	\$0.73	48.51%	33.47
Carcass Value Less Process/Packaging Per Cwt Cost of \$62.00					
	Net Carcass Value	\$406.64	\$0.65		

* Fat and Bone an industry survey value for LM_XL502 calculation * Based on Actual Federally Inspected Slaughter Carcass Weight of 69.00 lbs. for W/E 01/30/2021, 6.00 lbs heavier than last week. ** Includes Fresh and Frozen Products

The carcass yield of certain individual items are adjusted to accommodate the addition of other styles of the same item or cut. For example, an IMPS 204 8-Rib Medium Rack has a yield to carcass of 11.30%, while the IMPS 204C Frenched Rack has a yield to carcass of 6.13%. The 204 Rack and 204C Rack are exclusionary, in that only one or the other can be made from a carcass. They also sell in roughly equal quantities. Therefore, the yield of the 204 and 204C racks are both reduced in half to 5.65% and 3.07% respectively, allowing both items in the carcass cutout calculation. This same methodology is used in pairing the IMPS 232 4x4 and 1x1 loins, as well as the IMPS 233A trotter off leg and IMPS 234 boneless leg.

The fat and bone price represent a rendered value for these products, which is obtained through an industry survey. Shrink constitutes a loss in moisture or weight, and therefore has no value; however, it is still included to ensure 100% of the carcass is accounted for. Fat and bone, ground lamb and shrink are listed twice to determine values for both the foresaddle and hindsaddle. Figure 2 demonstrates the cutout value, foresaddle and hindsaddle calculations more in-depth.

Figure 2

Imps	Items	FOB Price Cwt	X	Percent Of Carcass	=	Item Revenue Cwt	Fore/Hind Calculation
204	Rack, 8-Rib Medium	\$853.26	X	5.65%	=	\$48.21	\$48.21
204c	Rack, Roast-Ready, Fr	\$1,740.33	X	3.07%	=	\$53.43	\$53.43
209	Breast **	\$323.33	X	8.45%	=	\$27.32	\$27.32
207	Shoulders, Sq-Cut	\$359.72	X	23.10%	=	\$83.10	\$83.10
210	Foreshank	\$449.16	X	3.25%	=	\$14.60	\$14.60
	Neck **	\$233.41	X	2.17%	=	\$5.06	\$5.06
	Fat And Bone	\$10.00	X	3.50%	=	\$0.35	\$0.35
296	Ground Lamb	\$613.96	X	1.95%	=	\$11.97	\$11.97
	Shrink		X	0.35%	=	0	0
							\$244.04
							÷ 51.49%
Foresaddle Value:							\$473.95
232	Loins, Trimmed 4x4	\$704.40	X	5.56%	=	\$39.16	\$39.16
232	Loins, Trimmed 1x1	\$848.49	X	3.81%	=	\$32.33	\$32.33
232e	Flank, Untrimmed **	\$215.74	X	3.22%	=	\$6.95	\$6.95
233a	Leg, Trotter Off	\$438.01	X	15.81%	=	\$69.25	\$69.25
234	Leg, Boneless, Tied	\$626.23	X	10.24%	=	\$64.13	\$64.13
	Fat And Bone	\$10.00	X	7.56%	=	\$0.76	\$0.76
296	Ground Lamb	\$613.96	X	1.96%	=	\$12.03	\$12.03
	Shrink		X	0.35%	=	0	0
Gross Carcass Value:				100.00%		\$468.64	\$224.60
							÷ 48.51%
Hindsaddle Value:							\$463.01

Contact Us: If you need additional assistance, please call our Market News team at (515) 284-4460 or email us at websupport.lpgmn@usda.gov.