

USDA DAILY LAMB CARCASS CUTOUT REPORT OVERVIEW January 2017

The lamb carcass cutout report is released daily under report number [LM_XL502](#). The report represents the estimated value of a lamb carcass based on prices paid for individual lamb items in dollars per hundredweight (cwt). The individual lamb item prices used are derived from sales published on the [LM_XL500](#) report. The lamb cutout is based on market activity since 2:00 pm Central Time of the prior business day. Free historical data for both the LM_XL502 and LM_XL500 reports are available on the USDA [DataMart](#) website, while also available via [e-mail delivery](#). 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 [MPR](#) (Mandatory Price Reporting) to first time buyers. The coverage threshold for MPR is firms slaughtering (or processing the equivalent of) an average of 75,000 head per year.
- Sales are negotiated, with the product delivering within 0-21 calendar days to the domestic market.
- Prices are quoted in U.S. dollars per 100 pounds. (cwt)
- 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 cutout calculation.

THE LAMB CUTOUT'S IMPORTANCE –

The LM_XL502 lamb cutout report is used by the various parts of the lamb industry (producers, packer/processors, and retailer/distributors) 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. If they can do better than what the average of the industry is, then they view that as a measure of success. The opposite is also true. 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 are looking to the lamb cutout to provide a pricing basis. Therefore it is important that all interested parties gain a thorough understanding what the lamb cutout represents, and how it is calculated.

WHAT THE LAMB 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. It's important to emphasize the values in the lamb cutout are dollars per hundredweight (cwt). For example, a lamb cutout value of \$300.00 means a 100 pound lamb carcass is worth \$300.00 total dollars. However, a 70 pound lamb carcass is worth only 70% of that, or \$210.00 total dollars ($\$300 \times 70\% = \210).

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

The LM_XL502 report lists a Gross Cutout Value, which represents the cutout value before expenses. From this gross figure, AMS deducts a \$44.85 cwt processing/packaging cost to arrive at a Net Carcass Value. The \$44.85 is an average of firms covered under MPR via survey, with individual company costs held in strict confidence by AMS.

The lamb cutout does not include revenue from either pelts or offal products. The following page goes into carcass cutout calculations in more detail.

LAMB CUTOUT CALCULATION –

The lamb cutout calculation begins with individual item prices from the LM_XL500 boxed lamb cuts report. These individual items are listed on the left side of the LM_XL502 lamb cutout shown in figure 1 below as the report appears in publication. The first numerical column shows the lamb item’s FOB 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 MPR firms with individual data kept in strict confidence. The final column is the weight of each individual lamb item in pounds, however in the interest of simplicity our cutout calculation example in Figure 1 will focus only on the item FOB cwt price and yield.

Figure 1

LM_XL502

St. Joseph, MO

Tue, January 03, 2017

USDA Market News

USDA ESTIMATED NATIONAL LAMB CARCASS CUTOUT

Based on 5-Day Rolling weighted average FOB plant prices collected under Mandatory Price Reporting and industry yields. Values reflect U.S. dollars per 100 pounds.

CUTS	FOB PRICE	CHANGE	%CARCASS	LBS
FORESADDLE				
204 RACK, 8-RIB MEDIUM	737.87	1.46	11.42%	7.43
209 BREAST **	181.76	-3.51	7.74%	5.03
207 SHOULDERS, SQ-CUT	293.84	0.27	24.17%	15.71
210 FORESHANK	395.21	3.27	3.48%	2.26
NECK **	122.78	-7.79	2.22%	1.50
HINDSADDLE				
232 LOINS, TRIMMED 4X4	535.54	-9.15	10.91%	7.09
232E FLANK UNTRIMMED **	59.28	-1.67	2.81%	1.83
233A LEG, TROTTER OFF	351.50	-4.45	31.29%	20.34

GROSS CARCASS VALUE:	355.96	-2.54	94.14%	61.19
FORESADDLE VALUE	378.56	-0.22	49.13%	31.93
HINDSADDLE VALUE	377.86	-5.42	45.01%	29.26
Carcass value less process/packaging per cwt cost of \$44.85				
NET CARCASS VALUE	311.11	-2.54		

* Shrink and trim of 2.85 lb's not reflected in cutout value
 * Based on Actual Federally Inspected Slaughter Carcass Weight of 67.00 lbs. for W/E 12/17/2016, -2.00 lbs lighter than last week.
 **Includes Fresh and Frozen Product

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