

LAMB Price Changes Usually Controlled by Very Few Factors From the time the first tender Easter lambs from California come on the market in early spring until the last fat lambs from the Corn Belt are cleaned up a year later there is always something doing on the lamb market. Prices change frequently. Knowing what lambs are selling for at one time does not go very far toward telling a farmer or a rancher what they may bring a short time later.

Statistical studies of lamb prices show, however, that the price of lambs is largely controlled by a few factors. Considering only average prices, these factors have accounted for 95 per cent of the price changes from month to month for the last 20 years. It seems reasonable to assume therefore that they will continue to be important factors in the lamb market.

The price of wool itself has an important bearing on lamb prices, especially during the winter and early spring when fed lambs carrying

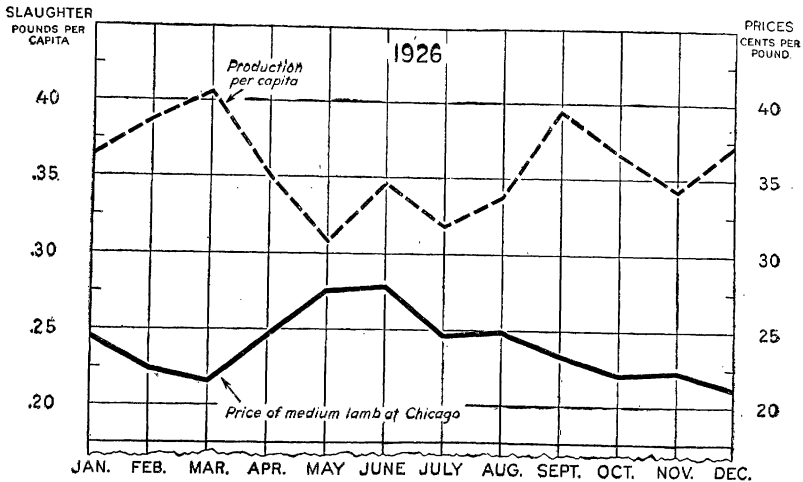


FIG. 137.—Lamb prices make marked response to differences in the quantity slaughtered

a heavy fleece are marketed. After the lambs begin to be shorn before marketing this factor loses its importance.

Where the lambs came from has but little effect on the price of the dressed carcass. Whether the lamb was born on the Texas plains and fattened on Colorado beet pulp, or whether he was born in the Idaho valleys, followed the springtime vegetation up the mountains as the summer advanced and then moved down the other side of the divide and on east to market as fall came on and the forest-grazing season ended, or even whether he lived a prosaic life on a Corn-Belt farm where he was lambed, weaned, and fattened, seems to make very little difference to consumers. Once the lambs are sold and slaughtered, they largely lose their identity, and the quantity and quality of meat to be sold largely determines the price which the carcasses will bring.

Figure 137 illustrates how markedly lamb prices respond to differences in the quantity slaughtered. In March, 1926, with 0.41 pound of lamb produced (under inspected slaughter) per capita of population, dressed lamb brought only 21 cents per pound at Chicago on

the average. During the following months slaughter decreased to between 0.31 and 0.34 pound per capita, and dressed-lamb prices advanced to around 27 cents. In the fall, with increasing slaughter, prices declined well below 25 cents again.

Statistical analysis shows that such changes in the supply of lamb from month to month cause, on the average, about two-thirds as much change in the price of dressed lamb—that is, if the quantity slaughtered increases 10 per cent, dressed-lamb prices usually go down about 6 per cent; whereas if the quantity decreases 20 per cent prices go up about 12 per cent. This relation holds true for changes in monthly lamb slaughter within the range from 0.3 to 0.6 of a pound of dressed lamb (produced under inspected slaughter) for each person in the United States.

Supply Not the Only Factor

Supply is not the only factor that causes changes in price. Thus, in June, 1926, slaughter increased, yet prices advanced. For one thing the consumer demand for lamb changes through the year; it is highest in June and lowest in December. About 15 per cent more dressed lamb can be sold in June than in December if wholesale prices are the same both months.

Other factors, such as the price of steers and of hogs, also have some influence on lamb prices, since lamb competes to a certain extent with these products for a place in the diet. These factors are relatively unimportant, however, compared with changes in lamb supply. The growth of population has a bearing on the demand for lamb, for the demand increases at almost exactly the same rate as population according to the statistical analysis.

Besides these specific factors, lamb prices are influenced by other factors such as the general prosperity of consumers and the purchasing power of money. Thus in 1920, when the general level of all prices was high because money was cheap, lambs were also high, even though the supply was large. The prosperity of consumers is reflected in lamb prices, 10 per cent reduction in business activity causing about 1 per cent reduction in lamb prices.

Same Factors Operative for Long Period

All of these factors taken together account for over 95 per cent of the changes in the average price from month to month. Since lamb prices are responsive to changes in supplies and other economic factors, the only way that ranchers and farmers can judge what changes are likely to take place in the lamb market is by studying the economic factors which determine lamb prices. Information on the lamb situation, such as the size of the lamb crop and the number of lambs on feed, which is being published from time to time, and the semiannual sheep outlook statements, both issued by the Bureau of Agricultural Economics, give the lamb producer a reliable indication of the future of the lamb market, and so help him to plan his operations on a rational basis.

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