

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

July 14, 2017

| Production                        |       |          | Prices                          |        |          |          |
|-----------------------------------|-------|----------|---------------------------------|--------|----------|----------|
| Week Ending 7/15/2017             | Last  | Year Ago | Weekly Average (\$/Cwt)         | Last   | Week Ago | Year Ago |
| FI Cattle Slaughter (Thou Hd)     | 629   | 598      | Live Steer                      | 119.48 | 117.58   | 117.01   |
| FI Hog Slaughter (Thou Hd)        | 2195  | 2124     | Dressed Steer                   | 190.08 | 188.18   | 187.17   |
| FI Sheep Slaughter (Thou Hd)      | 37    | 37       | Choice Beef Cutout              | 212.93 | 221.09   | 206.00   |
| Live Y. Chicken Sl. (Mil Hd)      | 141.9 | 144.8    | USDA Hide/Offal                 | 11.78  | 11.87    | 11.40    |
|                                   |       |          | GA Auction Fdr. Str. (6-7 Cwt.) | 137.40 | NQ       | 124.55   |
| Slaughter Cattle Live Weight      | 1326  | 1346     | Iowa/S. Minn. Base Hog          | 87.70  | 87.77    | 75.54    |
| Slaughter Hog Live Weight         | 278   | 278      | Natl. Net Hog Carcass           | 90.85  | 90.45    | 80.90    |
| Slaughter Lamb/Sheep Live Wt.     | 135   | 140      | Feeder Pigs (40 Lbs) (\$/Head)  | 53.49  | 53.06    | 37.62    |
| Beef Production (Mil Pounds)      | 510.6 | 489.3    | Pork Cutout                     | 104.83 | 104.38   | 90.20    |
| Pork Production (Mil Pounds)      | 456.7 | 443.5    | Lamb Cutout                     | 384.55 | 380.38   | 308.69   |
| Lamb, Mutton Prod. (Mil Lbs.)     | 2.5   | 2.6      |                                 |        |          |          |
| <b>Previous 6 Wk. Moving Avg.</b> |       |          | Corn, Omaha (\$/Bu)             | 3.34   | 3.56     | 3.32     |
| Total Beef (Mil Lbs)              | 497.8 | 478.4    | Wheat, Portland (\$/Bu)         | 5.33   | 5.47     | 5.23     |
| Total Pork (Mil Lbs)              | 442.9 | 433.7    | Wheat, Kansas City (\$/Bu)      | 4.73   | 5.05     | 3.66     |
| Total Lamb, Mutton (Mil Lbs)      | 2.4   | 2.6      | Soybeans, Cntrl IL (\$/Bu)      | 9.66   | 9.80     | 10.79    |

*Source: Various USDA-AMS reports. Some data are preliminary.*

## Trends . . . FED CATTLE MARKET: MID-YEAR REVIEW

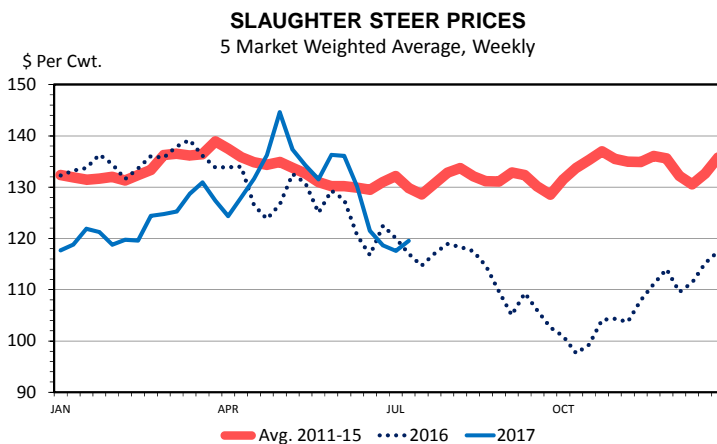
In the first quarter of this year, the 5-market slaughter steer price was 8.8% below 2016's. Slaughter steers averaged above a year ago (up 4.0%) in the second quarter. Those were stronger prices than forecast in late 2016. It appeared that the cash market price was topping out in mid-March when the weekly 5-market average hit \$130.91 per cwt. (live basis) and prices did erode for a few weeks. Then they surged higher. The weekly peak was \$144.60, which was posted the first week of May. By the last week of June the price had fallen to \$118.64 per cwt.

Steer and heifer slaughter levels have been larger than expected so far this year, while carcass (dressed) weights have been much lower than anticipated. Very strong beef packer profits made packers aggressive buyers of slaughter ready animals and cattle feeders were willing sellers.

U.S. commercial cattle slaughter in the first quarter was 7.3% above 2016's. Average cattle

dressed weight declined 1.1% year-over-year, so beef production was 6.1% above a year ago. The trend of higher slaughter levels compared to a year earlier and lower dressed weights continued in the second quarter (slaughter up 5.8% and dressed weight dropped 2.2% year-over-year). In the second quarter, U.S. beef production was up 3.4% from 2016's. For the first half of 2016, commercial beef output was just over 12.7 billion pounds, which was the largest for the first six months of a calendar year since 2012.

Due to strong beef exports and declining imported beef tonnage, U.S. per capita beef disappearance in the first two quarters of this year in percentage terms



Data Source: USDA-AMS  
Livestock Marketing Information Center

grew much less than production. Year-over-year, per person disappearance was up 3.3% in the first quarter and the LMIC projects the second quarter will be up only 0.7%.

The LMIC is forecasting U.S. commercial beef production will increase 2% to 3% in the second half of 2017. In 2018, year-over-year quarterly production increases in the 3% to 5% range are currently forecast. If strong beef exports continue to absorb most or all of the increase in per capita domestic supply, look for fed cattle prices to remain above a year ago for the balance of 2017. In 2018, larger domestic supplies will likely pressure prices lower compared to this year.

## POULTRY SUPPLIES IN FIRST HALF OF 2017 LITTLE CHANGED FROM 2016'S

Chicken and turkey production in the first half of 2017 was up only slightly from a year ago. Final data for June (from USDA's National Agriculture Statistics Service) will not be released until the last week of this month, but preliminary estimates for June and hard data for the first five months of the year peg young chicken (broiler) production up 1.7% from last year's. The same comparison for turkey production shows production increasing 0.6%.

The amount of product available for U.S. consumers after adjusting for poultry exports shows chicken supplies up only 0.7% as chicken exports during the first half of the year are on track to be 7% above 2016's. Turkey exports are also expected to be up by 7%, although shipments for the April-June quarter are struggling to hold even with last year's. Turkey volume moving through domestic market channels during the first half of 2017 should be up 2%, which is a bit disappointing given that volume during the first quarter of the year was up 4.6%.

The chicken industry has focused on solving a product quality problem that has developed in recent years known as "woody breasts". Problems seem to come from too-rapid breast muscle development on breeds of large birds. For years the industry had been moving production towards breeding larger birds to take advantage of production efficiencies for further processed meat products. Those efforts have been dialed back this year in order to alleviate the problem. Consequently, the average weights of birds at time of slaughter has been unchanged for the first half of the year compared to a year ago. During the last two years, average bird weights increased by 1.0% to 1.5% from the prior years which was a direct supplement to total chicken meat production.

There have also been issues related to genetics and breeding which have constrained hatchery output of chicks available for grow-out. Placements of young hens into the hatchery supply flock during April and May were down 6% and 1% from a year ago, respectively, and have only increased from a year ago in one month (January). Chick hatchings during the first half of this year should be up 1.7%, which is slightly skewed to the downside by Leap Year last year. Hatchings this summer are forecast to be up by at least 2%, supported by the best industry profitability in 2 to 3 years this past spring. Hatchings in the last quarter of the year may struggle to stay above year earlier levels due to the decline in young hen placements into the hatchery supply flock referred to earlier.

Domestic consumer demand for chicken has been buoyant. Wholesale parts prices have rallied as the forces of modest production increases and higher prices for beef and pork provide a favorable backdrop for the market. Last fall, breast meat prices in the Northeast U.S. wholesale market slipped below \$1.00 pound, the lowest prices since April 2006. Breast meat prices in the same market this June averaged \$1.60, the highest price in two years. Processor profitability is reflecting these higher prices in wholesale markets as the composite value of parts and meat relative to feed costs during the second quarter was the best since the summer of 2014.

## U.S. EXPORTS OF BEEF AND PORK REMAIN STRONG

U.S. red meat export tonnage continued to post year-over-year increases in the latest data compiled by USDA, which is for the month of May. In their World Agriculture Supply and Demand Estimates, USDA is forecasting that both beef and pork exports (carcass weight) this calendar year will set new record highs.

Beef export tonnage during May was 3.2% above a year ago. For the first five months of 2017, U.S. beef export tonnage surged 19.5% year-over-year to nearly 1.1 billion pounds (carcass weight equivalent). That slightly eclipsed the prior high for January-May set in 2011.

Pork export tonnage in May was 12.3% above 2016's and year-to-date increased 12.1%. At over 2.4 billion pounds (carcass weight), U.S. pork exports so far this year were the largest ever for the January-May timeframe (increased 3.0% from the prior high set in 2012).