

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

August 11, 2017

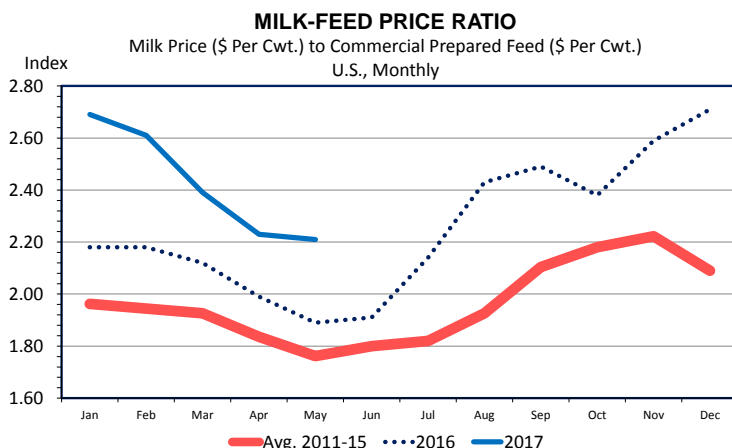
Production			Prices			
Week Ending 8/12/2017	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	641	579	Live Steer	115.17	117.30	118.35
FI Hog Slaughter (Thou Hd)	2272	2246	Dressed Steer	183.89	187.36	186.91
FI Sheep Slaughter (Thou Hd)	36	37	Choice Beef Cutout	201.37	205.00	200.54
Live Y. Chicken Sl. (Mil Hd)	163.7	162.3	USDA Hide/Offal	11.00	11.37	11.24
			GA Auction Fdr. Str. (6-7 Cwt.)	131.29	131.99	132.45
Slaughter Cattle Live Weight	1335	1353	Iowa/S. Minn. Base Hog	80.13	80.64	63.03
Slaughter Hog Live Weight	276	276	Natl. Net Hog Carcass	84.60	85.55	70.09
Slaughter Lamb/Sheep Live Wt.	136	134	Feeder Pigs (40 Lbs) (\$/Head)	40.92	45.71	29.70
Beef Production (Mil Pounds)	518.0	477.6	Pork Cutout	95.53	97.57	76.05
Pork Production (Mil Pounds)	469.9	464.5	Lamb Cutout	375.70	385.30	318.19
Lamb, Mutton Prod. (Mil Lbs.)	2.4	2.5				
Previous 6 Wk. Moving Avg.			Corn, Omaha (\$/Bu)	3.23	3.29	2.98
Total Beef (Mil Lbs)	497.1	472.0	Wheat, Portland (\$/Bu)	5.37	5.11	4.93
Total Pork (Mil Lbs)	449.7	441.3	Wheat, Kansas City (\$/Bu)	3.91	4.10	3.59
Total Lamb, Mutton (Mil Lbs)	2.4	2.5	Soybeans, Cntrl IL (\$/Bu)	9.30	9.48	10.22

Source: Various USDA-AMS reports. Data are preliminary.

Trends . . . DAIRY COW HERD MAINTAINS SLOW, STEADY EXPANSION

The US milk cow herd has expanded by 50,000 head from last December to this June. Each month has registered a small gain, the biggest coming in March with an 18,000 head increase. The latest reported month, June, had the smallest increase of only 4,000 cows. Milk production during the April-June quarter was up 1.8% from a year earlier, boosted by a 1.0% improvement in milk cow productivity. Texas accounted for half the increase in cow numbers. New Mexico, Arizona, Colorado, and Utah herd expansion added another 21,000 head. Outside of this region, only New York (up 4,000 cows) posted an increase of more than 2,000 head. California reduced its milk cow population by 6,000 from December to June, with a 3,000 head decline in June.

The increase in the milk cow herd is supported by 4.754 million dairy heifers on hand at the start of the year that were intended to replace or expand the existing dairy herd. Although this number was



Data Source: USDA-NASS
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down 60,000 head from the beginning of 2016, it was still the second highest dairy heifer inventory going back to the mid-1980s. It has been the case since 2010 that when dairy heifer replacement inventories at the beginning of the year are at, or above 4.6 million head the milk cow herd increases during the ensuing year.

Milk prices relative to feed costs have been declining so far this year, even though the absolute level of milk prices relative to feed costs is higher than most years since 2011. The

declining trend in the milk-feed price ration seems to setting a pattern for the rate at which the milk cow herd has been expanding this year. This raises some questions about how much more expansion will be seen in the dairy cow herd during the second half of the year.

Most of the decline in the milk-feed price ratio during the first half of the year is due to lower trending milk prices. Domestic demand trends for fluid milk and dairy products has been irregular this year. The combination of more milk production this year (up 1.4% from a year ago during the first half of the year) and consumption that has been variable compared to last year led to the declining milk price trend. Fluid milk product sales volumes were down 2% from a year ago during the first quarter of the year and preliminary data for the spring quarter shows a similar decline. This results in more milk being available for the cheese, butter and milk powder markets, with lower prices being a lever needed to enhance usage of these products.

The lower prices have been more effective at encouraging exports than domestic usage. During the first half of 2017, domestic butter usage was unchanged from the first six months of last year. Cheese usage is up 0.7% from a year ago from January to June. These figures imply a slight decline in per capita usage when adjusted for population gains. Meanwhile, cheese exports for the first half of this year are up 24% from last year and butter exports are up 83%. Butter exports are not a significant segment of the US dairy industry, however, as this year's exports only account for about 2% of production, or 2.5% of domestic use. Exports of pizza cheese are becoming a feature of the US dairy industry, with exports accounting for about 7% of US production last year.

HAY PRODUCTION DOWN SLIGHTLY FROM LAST YEAR

USDA-NASS (National Agricultural Statistics Service) estimated this year's hay harvest at 132.6 million tons based on crop conditions as of August 1, down 2% from last year. The estimate of area harvested was unchanged from the figure shown in their June acreage report and only up a fraction of a percent from last year. Alfalfa hay harvest volume is down 3.6% from last year, even though area harvested expanded 1.3%. All other hay production is close to unchanged from last year. Both area and average yield of other hay were changed by less than a percent from last year.

Drought in the Dakotas and Montana pulled down non-Alfalfa hay production. Average per-acre hay yields in North Dakota dropped 24% for Alfalfa hay and 37% for other types of hay. North Dakota hay production is pegged to be down 28% from last year. South Dakota hay production is expected to be down 8% from last year. The big difference between North Dakota and South Dakota hay crops is the 14% increase in harvested area of other hays than Alfalfa. The increase in area harvested offset the average harvest per acre. Between these two states, Alfalfa area harvested was unchanged from 2016 to 2017. Average Alfalfa harvest yield in South Dakota was down 10% from 2016, a much more modest decline than in North Dakota. Hay production in Montana is down 13% this year.

Hay production was up in some regions, in order to counter-balance the declines in the Northern Plains. Alabama, Georgia and North Carolina are all seeing hay production volume up by a double-digit percent this year. Colorado Alfalfa hay production is up 15%. Iowa Alfalfa production is up by a similar amount, percent and volume-wise. Interestingly, two states contiguous to Colorado and Iowa are showing big declines in Alfalfa production. The Kansas harvest is down 14% and Minnesota Alfalfa output is down 21%. Lastly, production on non-Alfalfa type hay in Oklahoma is down 16%, for the most part due to less harvested area. Alfalfa hay production in Oklahoma is picking up some of the slack, offsetting about half the decline in other types of hay.

MID-AUGUST PLAINS STATES RANGE AND PASTURE CONDITIONS IMPROVING

The weekly crop conditions index published by USDA-NASS started to indicate some easing of drought conditions in the Plains states as of mid-August. In the Northern Plains, pastures rated very poor declined from 21% to 18% from the prior week, the lowest percentage since mid-July. Pastures rated in good condition moved up to 30% from 28%, also the best since mid-July. In Oklahoma and Texas, 13% of the pastures were rated poor or very poor, down from 18% the prior week. Pastures rated good or excellent accounted for 49% of the total compared to 41% a week earlier. In the same week a year ago, 41% of the pastures in Texas and Oklahoma were rated good or excellent. As of the latest week, 13% of the US beef cow herd is in states with 40% of the pastures rated poor or very poor. Two weeks ago, this was 15% of the herd but a year ago it was only 4%.