Market Indicators . . . July 12, 2019

Trends . . . WETTEST SPRING SINCE 1995 LEADS TO LUSH PASTURES

Range and pasture rated in either good or excellent condition as of July 7 stood at 69%, according to the USDA’s National Agricultural Statistical Service (NASS) in their weekly crop weather bulletin. Last year, 51% of pasture were judged that favorable. At the other end of the spectrum, 8% of pastures were rated in poor to very poor in the latest week compared to 21% a year ago. The commentary from USDA-NASS that accompanied their estimates of crop plantings, released in late June, noted that this was the wettest June for the lower 48 States since 1995. It was the wettest spring on record for Kansas. This spring was among the top 10 wettest on record for three Plains States (Nebraska, Oklahoma, and South Dakota) and five Midwestern States (Illinois, Indiana, Iowa, Missouri, and Wisconsin).

States with 40% or more of their pastures rated as very poor to poor account for only 1.5% of the beef cow herd. A year ago, 29% of the beef cow herd was in states with 40% of pastures in poor or very poor condition. Meanwhile, 96% of the beef cow herd is in states with 40% of pastures rated good to excellent this July versus 62% a year ago.

Ample, economical, forage supplies have been impacting decisions throughout the live side of the supply chain. Beef cow slaughter was up by a small percentage during the first three months of the year but jumped up to a 9% increase in April. May beef cow slaughter returned to year-earlier levels, and weekly slaughter in June has followed a similar pattern. The flow of cattle into feedlots was up 9% from a year earlier in April but ebbed to a 3% decline in May.

Will abundant pasture forage have an impact on breeding stock inventory decisions? The plunge in calf prices is hard to ignore.
Steer calves at Oklahoma City weighing 500 pounds dropped $22 per cwt. from April to June. Last year, the decline over the same interval was only $7, and in 2017, calf prices went up $3. In 2016, however, monthly average calf prices were down $26 from April to June. The last year that pasture ratings were close to this year was 2015 (66% of pastures rated good and excellent). The beef cow herd added a million head that year. Calf prices declined $6 from April to June, but they averaged $285 per cwt. in June, compared to $161 this June.

TRADE UNCERTAINTIES CONTINUE FOR U.S. MEAT EXPORTS

The U.S. trade data were recently released for May and showed that total U.S. beef exports on a carcass weight basis were down marginally (-0.1%) compared to the same month a year ago. Total beef exports for the first five months of the year are down 3.9% compared to the same timeframe last year. Although U.S. beef exports to Japan are down 4.5% year-to-date, they remain the top destination for U.S. beef product. South Korea, the number two destination for U.S. beef exports, remains a bright spot as year-to-date shipments are up 11.7%. U.S. beef exports to Mexico, for the first five months of the year, are up 6.1% while Canada is down 14.3%. Shipments to Hong Kong are down sharply, by 41.0%, as the flow of product through gray channels has been restricted.

U.S. pork exports for the first five months of the year were 3.8% lower than last year. For May, pork exports were down marginally (0.8%) compared to a year ago as shipments to Mexico, the top destination, remained sluggish. Despite the lower shipments to Mexico, gains in exports to China have helped bolster export levels. U.S. pork shipments to China were up a staggering 94.6% for the month of May and 7.2% for the first five months of the year. The sudden growth in U.S. pork exports to China appears to be driven primarily by their need for pork product as they continue to struggle with controlling the spread of African Swine Fever.

U.S. broiler meat exports jumped 13.4% for the month of May compared to a year ago, and for the first five months of 2019 shipments are up 1.6%. Much of the gains were from Mexico, where shipments rose 18.1% for May compared to last year’s level and were 9.3% higher for the first five months of 2019. Other top destinations for U.S. broiler meat exports, such as Canada, Hong Kong, Cuba, and Angola, were slightly lower for May and for the first five months of the year.

U.S. PORK PRODUCTION RISING

As of June 1, 2019, the number of animals in the U.S. continued to trend higher. NASS released the data in the Quarterly Hogs and Pigs report on June 27. At 75.52 million animals, the total U.S. herd was 3.6% above a year earlier, which was record-large. The number of market hogs totaled 69.11 million head, a year-over-year increase of 3.9%. Compared to pre-report estimates, the biggest surprise was a 3.5% jump-up compared to a year earlier in pigs saved per litter during the March-May timeframe. That bolstered the number of animals weighing under 50-pounds. Important to the near-term weekly slaughter levels, producers reported that the number of animals in 180-pounds and heavier category was 7.5% above 2018’s, that was generally in-line with slaughter data. However, it greatly exceeded what was indicated in the prior (March 1) NASS report.

The long-term trend of more pigs saved per litter has remained intact, but it recently went into overdrive. Getting to 11.0 pigs per litter during March-May of this year appears to have been largely disease-related, driven by a lack of Porcine Reproductive and Respiratory Syndrome virus.

Producers reported that they intend to keep farrowing only slightly more sows than a year earlier during June-August and September-November. However, more pigs saved per litter will continue to build-up market hog counts, based on those intentions, well into 2020.

Based on the June 1 report and recent trends in hog weights and slaughter levels, for 2019, the LMIC forecast has in recent weeks been raised by 250 million pounds (carcass weight equivalent) to just over 27.4 billion pounds, an increase from 2018’s of about 4.2%. Calendar year 2020 is expected to post another year-over-year production increase due to higher slaughter levels (up 2% to 4% compared to 2018’s). Dressed weights are forecast to post a very slight year-over-year decline (-0.1%), counter to the long-term trend, because higher feedstuff costs, especially corn, may slightly shorten feeding periods. Still, LMIC’s current 2020 forecast is for output to hurdle the 28-billion-pound mark (up 1% to 4% compared to 2019).