

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

September 8, 2017

Production			Prices			
Week Ending 9/9/2017	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	555	530	Live Steer	103.14	104.66	105.02
FI Hog Slaughter (Thou Hd)	2170	2086	Dressed Steer	163.00	165.71	166.25
FI Sheep Slaughter (Thou Hd)	29	37	Choice Beef Cutout	192.35	191.65	189.49
Live Y. Chicken Sl. (Mil Hd)	167.3	167.3	USDA Hide/Offal	10.61	10.63	11.10
			GA Auction Fdr. Str. (6-7 Cwt.)	132.26	130.15	118.72
Slaughter Cattle Live Weight	1349	1373	Iowa/S. Minn. Base Hog	61.36	63.37	58.92
Slaughter Hog Live Weight	278	279	Natl. Net Hog Carcass	69.97	73.05	65.64
Slaughter Lamb/Sheep Live Wt.	134	125	Feeder Pigs (40 Lbs) (\$/Head)	37.86	35.54	28.71
Beef Production (Mil Pounds)	454.0	436.6	Pork Cutout	83.32	84.54	80.82
Pork Production (Mil Pounds)	450.2	431.2	Lamb Cutout	362.58	369.67	329.79
Lamb, Mutton Prod. (Mil Lbs.)	1.9	2.1	Corn, Omaha (\$/Bu)	3.20	3.19	3.05
Previous 6 Wk. Moving Avg.			Wheat, Portland (\$/Bu)	5.05	5.03	4.74
Total Beef (Mil Lbs)	507.1	483.8	Wheat, Kansas City (\$/Bu)	3.74	3.60	3.36
Total Pork (Mil Lbs)	472.9	461.1	Soybeans, Cntrl IL (\$/Bu)	9.64	9.40	10.22
Total Lamb, Mutton (Mil Lbs)	2.4	2.4				

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

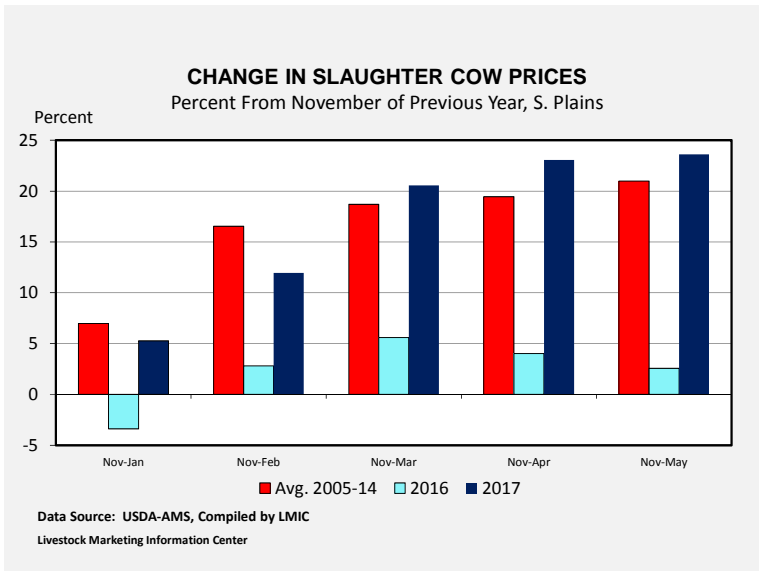
Trends . . . PERSPECTIVE ON THE CULL COW MARKET

The bulk of U.S. beef cattle operations wean calves in the fall months, and that is also when they select cows for culling and begin to sell them. Many cow-calf operations in the drought impacted northern High Plains states have already pregnancy checked their cows, which is earlier than normal. Most of those cows already have or will soon be sent to market.

Over a cattle inventory cycle (typically 10 to 11 years), seasonally cull cow prices typically are lowest in the fourth (fall) quarter of the calendar year (usually November and sometimes October or December). The long-term average decline in cull cow price is about 10% between September and November -- last year's drop in the Southern Plains was 19% (about \$13.25 per cwt.). (Note that in 2016, December posted the lowest cull cow price.) Then prices rise into the new calendar year, often rather dramatically. But in some years, the new calendar year does not bring much, if any, price

increase. Holding cull cows did not pay from the fourth quarter of both 2014 and 2015 into the next year. Last year (between November 2016 and the first several months of 2017), the normal seasonal price increase returned. In 2016, per cwt. price increases were \$5.25 between November and January; \$12.00 November-February; and \$20.50 November-March.

Several factors underpin the seasonal pattern in cull cow prices. First, as already mentioned, the supply of cull beef cows is largest in the fall which dampens prices and after those large supplies are marketed prices increase. Second, fed cattle prices are typically highest in the winter and early spring months (i.e., February through May) which



supports slaughter cow prices. Other factors that can significantly influence cull cow prices are the level of dairy cow slaughter and the amount of beef imported from Australia and New Zealand (that beef competes mostly in the “cow-beef” market and not as much with meats from fed steers and heifers).

Cull cow prices this fall are expected to decline compared to recent levels by average percentages. Forecasts are that fed cattle prices into the first few months of 2018 will strengthen, but remain below 2017’s levels. Levels of beef imports and national dairy cow slaughter may be slightly higher year-over-year (due to lower milk prices received by producers) but are not forecast to be enough to take all the seasonal increase in cull cow price away. Cull prices into early 2018 are forecast to increase, but not reach the levels of early 2017. Cow-calf producers that are set-up to economically add some weight to cull cows and then sell in the first few months of 2018 instead of this fall at the seasonal price low, might want to put a pencil to that soon.

U.S. MEAT AND POULTRY INTERNATIONAL TRADE UPDATE

International trade plays a critical role in the U.S. meat and poultry sectors. On Thursday, September 7th the USDA’s Economic Research Service (ERS) compiled and posted July’s monthly U.S. meat and livestock international trade data. For meat and poultry, ERS converts the raw product weight data to carcass equivalent for meats, and poultry is reported on a ready to cook basis. In this newsletter, only the tonnage is summarized, and other important aspects of U.S. exports like variety meats (liver, tallow, etc.) and hides/skins are not discussed. Of course, focusing on exported and imported volume overlooks the dollar values involved, that is important, for example, because the dollar amounts of beef that U.S. imports is typically much less than that of exports.

In July, compared to June’s, U.S. beef export tonnage was essentially unchanged. Still, the trend of year-over-year increases since July 2016 was maintained (July 2017 was up 10%). A total of 83 different countries bought enough U.S. beef to be recorded by ERS during the month. Among the major destinations, more tonnage was shipped than a year earlier to Japan (up 22%), Hong Kong (33%), Vietnam (59%), and Canada (5%).

A bit of a surprise in the data was the tonnage of beef imported by the U.S. in July, which increased month-over-month by 2% and was 11% above 2016’s. Of the major import sources, the only drops compared to a year ago were from Australia and Brazil.

U.S. pork export tonnage faltered in July. A decline was anticipated based on the weekly data. The weekly data are preliminary and do not include all pork items sold. Month-over-month, July’s tonnage dropped a dramatic 13%. The year-over-year decline was 4%. July’s pork exports went to 77 countries. Both monthly and year-over-year declines in pork sales occurred to the key Asian countries of Japan, China, and Hong Kong. At 20.0 million pounds (carcass weight), pork exports in July to China (mainland) were the lowest for any month since December 2015. But the biggest story continued to be Japan (the second largest foreign market for U.S. pork after Mexico), July sales of 87.9 million pounds was the lowest since January 2010. U.S. pork imports declined 3% for the month but were 1% above a year earlier.

Turning to U.S. poultry, in July, the tonnage of chicken sold increased 7% for the month but remained unchanged compared to a year ago. Chicken exports continued to lag the prior 5-year average (2011-14). In July, the U.S. broiler parts went to 110 countries, the largest destination by far, as usual, was Mexico. Turkey exports dropped (down 3%) in July compared to June’s, however, did post a 10% gain compared to 2016’s. In July, U.S. turkey was purchased by 64 countries, Mexico remained the largest foreign market.

Useful insight is provided by looking at net tonnage traded, that is net beef imports (tonnage of imports minus exports) and for pork calculating the net exported volume (exports minus imports). In June, the amount of beef imported by the U.S. exceeded exports. Typically the U.S. flips from being a net importer to a net beef exporter in the second half of the calendar year; we will see if that happens this year. The net status of pork remained positive, meaning exported tonnage was greater than imported. However, the U.S. net pork export volume was the lowest the month of July since 2010.

LOOKING AHEAD AT CALF PRICES

The LMIC is forecasting that calf (500-to 600-pound steer) prices in the Southern Plains will average above 2016’s depressed quarterly average this fall (October-December). Does that mean calf prices in 2018 and 2019 will continue to post year-over-year increases? The answer is no, at least producers should not be basing their financial plans on such.

Both supply and demand dimensions will determine prices. The fundamentals of the cattle and beef supply for the next two years will be the size of the U.S. calf crops. As reported by USDA-NASS, the size U.S. calf crops have increased each of the last three years and in 2017 looks to be the largest since 2008. Based on the cowherd, both the 2018 and 2019 calf crops are expected to be even bigger, all else equal that is a challenging environment to keep raising prices.