

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

October 9, 2017

Production			Prices			
Week Ending 10/7/2017	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	632	611	Live Steer	108.74	108.01	100.90
FI Hog Slaughter (Thou Hd)	2524	2427	Dressed Steer	NQ	171.73	159.03
FI Sheep Slaughter (Thou Hd)	37	38	Choice Beef Cutout	197.39	195.81	184.72
Live Y. Chicken Sl. (Mil Hd)	167.0	164.0	USDA Hide/Offal	10.35	10.41	11.58
			GA Auction Fdr. Str. (6-7 Cwt.)	130.43	130.86	102.90
Slaughter Cattle Live Weight	1361	1380	Iowa/S. Minn. Base Hog	51.49	47.80	46.94
Slaughter Hog Live Weight	282	281	Natl. Net Hog Carcass	59.18	59.16	56.92
Slaughter Lamb/Sheep Live Wt.	132	129	Feeder Pigs (40 Lbs) (\$/Head)	41.38	40.72	21.52
Beef Production (Mil Pounds)	522.8	512.8	Pork Cutout	72.72	72.88	72.76
Pork Production (Mil Pounds)	531.9	509.4	Lamb Cutout	358.47	361.73	319.74
Lamb, Mutton Prod. (Mil Lbs.)	2.4	2.5	Corn, Omaha (\$/Bu)	3.10	3.12	3.04
Previous 6 Wk. Moving Avg.			Wheat, Portland (\$/Bu)	5.32	5.30	4.63
Total Beef (Mil Lbs)	516.7	496.9	Wheat, Kansas City (\$/Bu)	6.69	3.75	3.23
Total Pork (Mil Lbs)	509.1	489.9	Soybeans, Cntrl IL (\$/Bu)	9.36	9.27	9.47
Total Lamb, Mutton (Mil Lbs)	2.4	2.5				

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

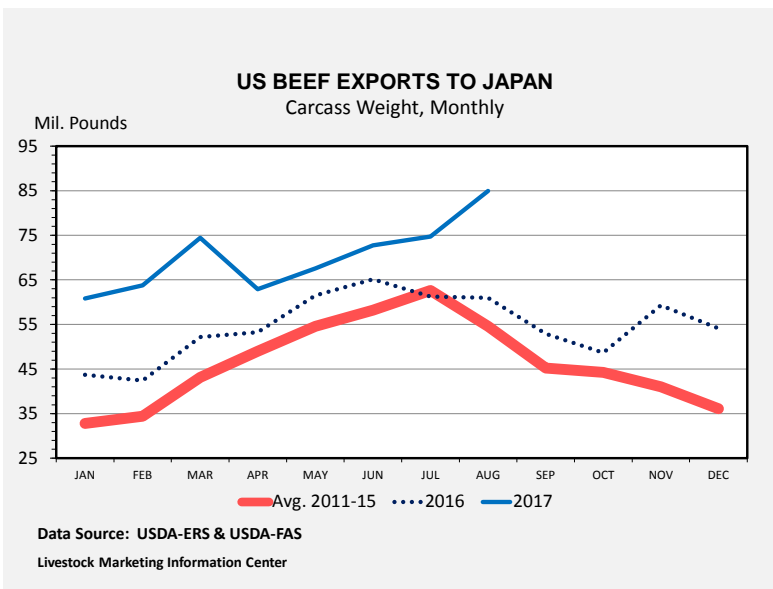
Trends . . . U.S. RED MEAT EXPORTS AND IMPORTS

USDA's Economic Research Service (ERS) released their monthly compilation of U.S. international meat and livestock trade data for August on October 6th. In the meat categories, ERS converts the product weight data into carcass weight equivalents. This article only discusses the red meats in term of tonnage and not the dollar value of that trade nor the data on byproducts (variety meats, tallow, hides, etc.). Regarding exports, as was the case in July, the highlight was beef tonnage sold, while pork remained lackluster. U.S. red meats imports in August were larger than expected.

U.S. beef export tonnage during August was the largest for any month since July 2013. Year-over-year a 14.7% increase was posted. That gain was underpinned by sales to Japan. More tonnage than a year earlier also was shipped to Canada, Hong Kong, and Vietnam. Of course, it is likely that

transshipment is still occurring from Hong Kong and Vietnam to Mainland China (see below for more comments). In August, ERS reported direct U.S. beef sales to 91 countries. On a carcass weight basis, total beef exports were In August 263.8 million pounds. Japan was the largest foreign beef market (84.9 million pounds), followed by Mexico (40.8 million pounds).

Pork export tonnage edged-up 0.7% year-over-year in August. There was a 7.1% rise compared July's disappointing sales. Pork exports were 418.0 million pounds. Mexico bought the most (148.7 million pounds), followed by Japan (99.5 million pounds). In August, exports were to 87 countries.



Mainland China remains in the news as a market for both beef and pork. U.S. direct sales of beef to mainland China have been growing since that country re-opened to U.S. products. U.S. direct beef sales to Mainland China were zero in May of this year and in August had increased to 1.1 million pounds. That made it the 15th largest U.S. foreign destination for U.S. beef. Mainland China was the 5th largest market for U.S. pork (20.5 million pounds). Note that in August, pork tonnage to China fell by 27.3% (down 7.7 million pounds) year-over-year.

Month-over-month U.S. beef imported tonnage declined while pork increased. Year-over-year, both beef and pork imports were higher in August. Compared to a year earlier, beef imports were up 7.9% with almost all of the increase coming from Australia and New Zealand. Pork tonnage purchased by the U.S. during August was 10.3% above 2016's. That rise did not come from the largest foreign supplier to the U.S., which is Canada. The majority of the year-over-year jump was from countries that are part of the European Union. The imported tonnage of both lamb and mutton were higher month-over-month and year-over-year.

HOGS AND PIGS: SITUATION AND OUTLOOK

The Quarterly Hogs and Pigs report from USDA (National Agricultural Statistics Service) was released on September 28th. It gave considerable insight into the supply prospects in the U.S. hog/pork sector well into next year. Recent trends in hog and pig numbers continued, the number of market hogs as of September 2.6% above 2016's. LMIC projects that U.S. commercial pork production this calendar year at about 25.7 billion pounds, up 3.0% year-over-year.

Forecasts for 2018 and 2019 are for annual increases of 2-4% and 1-4%, respectively. On a quarterly basis, year-over-year increases are expected throughout 2019. Over the next few years, the largest percentage increase in output could be in the fourth quarter of 2018 (the mid-point of the forecast range for that quarter is for a 4.5% year-over-year jump).

Regarding demand, the export markets for pork will remain critical. Forecasts call for continued annual increases in tonnage sold to foreign countries. However, exports may only grow in-line with that of production. That is, U.S. pork export tonnage (meat only not including variety meats, etc.) may not increase significantly as a percentage of pounds produced. That forecast can be exceeded if the U.S. bolsters markets for pork products beyond those historically sold.

U.S. per capita disappearance of pork in 2017 and 2018 may remain near 2016's levels. But watch out for 2019, which suggests lower domestic retail prices to move the largest amount of product (retail weight) domestically since 2014.

Slaughter barrow and gilt prices have declined seasonally and in recent weeks, slipped below a year ago. Still, for the fourth quarter of this year prices are expected to average above 2016's. Even though U.S. pork production and per capita domestic supply are projected to remain above last year's, new packing plants have caused increased competition for animals and narrowed the live-to-wholesale pork margin enough to raise slaughter hog prices. Overall, in 2018 the LMIC forecasts hog prices similar to 2017's and then declining in 2019.

BEEF BYPRODUCT PRICES STRUGGLE AS HIDE EXPORTS SLIP

The value of byproducts sold by beef packers coming from the slaughter of steers and heifers has been unusually weak since mid-year. The demand for U.S. produced byproducts is driven by foreign markets. On a live steer basis, according to USDA's Agricultural Marketing Service (AMS), in early October the value was \$10.35 per cwt., the lowest for any week since early April 2010. Typically, hides account for about a half of the total value of the non-conventional meat products coming from the slaughter process. Other important products are liver, tallow (edible and inedible), tongues, oxtails, and tripe.

Heavy native steer hide values have accounted for most of the recent decline, dropping from \$66 per piece in late June to a current market price of about \$60. Last year (according to AMS reports), that same grade of hide was trading for \$75 in late June, declining only \$1 into early October 2016. Hide export data from USDA-FAS (Foreign Agriculture Service) shows US hide exports, on a piece basis, this year exceeding year earlier volumes for the first seven months of the year. May and June exports were up 34% and 30%, respectively. July exports were only up 13% and August exports were less than the prior August by 7%.