

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

December 29, 2017

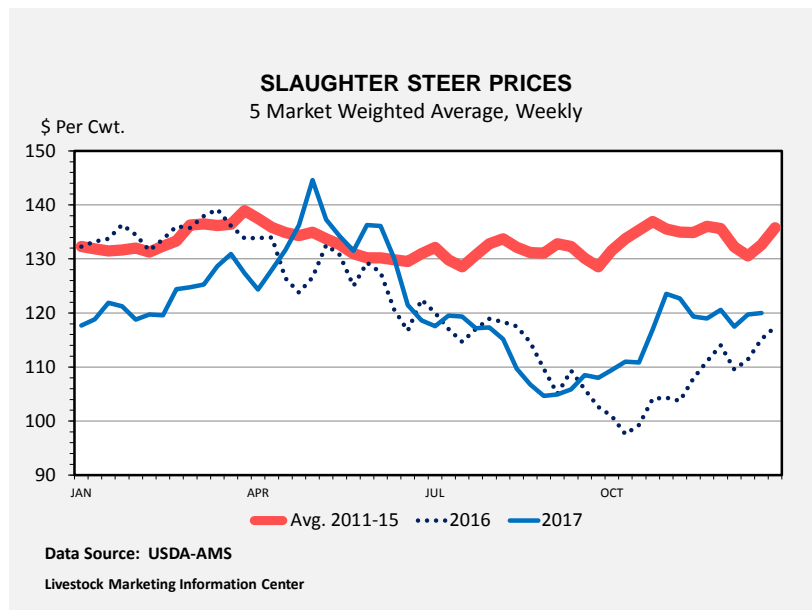
Production			Prices			
Week Ending 12/30/2017	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	502	516	Live Steer	120.00	119.97	117.44
FI Hog Slaughter (Thou Hd)	2107	2068	Dressed Steer	192.00	190.32	188.86
FI Sheep Slaughter (Thou Hd)	29	36	Choice Beef Cutout	202.35	200.14	201.79
Live Y. Chicken Sl. (Mil Hd)	160.1	149.9	USDA Hide/Offal	10.65	10.58	11.81
			GA Auction Fdr. Str. (6-7 Cwt.)	NQ	137.32	NQ
Slaughter Cattle Live Weight	1382	1382	Iowa/S. Minn. Base Hog	57.33	55.48	52.02
Slaughter Hog Live Weight	287	283	Natl. Net Hog Carcass	63.91	63.88	60.12
Slaughter Lamb/Sheep Live Wt.	141	135	Feeder Pigs (40 Lbs) (\$/Head)	77.19	77.64	62.21
Beef Production (Mil Pounds)	418.6	428.7	Pork Cutout	77.44	76.62	81.79
Pork Production (Mil Pounds)	451.6	438.0	Lamb Cutout	334.02	337.16	321.16
Lamb, Mutton Prod. (Mil Lbs.)	2.0	2.5	Corn, Omaha (\$/Bu)	3.28	3.26	3.24
Previous 6 Wk. Moving Avg.			Wheat, Portland (\$/Bu)	5.28	5.21	4.55
Total Beef (Mil Lbs)	500.6	483.4	Wheat, Kansas City (\$/Bu)	4.10	4.05	3.52
Total Pork (Mil Lbs)	513.3	488.5	Soybeans, Cntrl IL (\$/Bu)	9.36	9.38	10.02
Total Lamb, Mutton (Mil Lbs)	2.6	2.7				

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

Trends . . . FOURTH QUARTER FED AND FEEDER CATTLE PRICE PERFORMANCE

Slaughter steer prices this fall have posted the biggest increase from September of any year in the last eleven. Based on the 5-market Choice steer price monthly average (reported by USDA's Agricultural Marketing Service), October prices were up \$5.35 per cwt. from the prior month. In 2013, the September-to-October increase was \$5.13, and in 2014 the rise was \$4.44. Over the last ten years, the average September-to-October price change was a decline of \$0.16, in no small part due to drops in 2015 and 2016 of \$4.45 and \$5.03, respectively.

The comparisons of fed cattle price increases in 2017 from September to November were even more dramatic. The average change for that two-month span during the prior eleven years was up by \$1.42 per cwt. This year the price increase was \$14.26. The biggest September-November price change since 2005 before this year was in 2014, which posted a gain of \$9.82. In 2015, fed steer prices recorded the biggest September-November price drop in the last eleven years of \$8.21. In 2016, November cattle markets started a rebound that continued into 2017.



During the fourth quarter of 2017, the lowest fed steer price (5-market average) occurred in the very first week (week ending October 7th) at \$109.45 per cwt. The quarterly high was for the week ending November 4th at \$123.53. For the quarter, fed steers

are projected to have averaged just over \$117.50 per cwt., more than 9% above 2016's.

In light of the auspicious price performance of fed cattle in 2017's fourth quarter, feeder cattle prices also have increased but kept within the bounds of gains seen in recent years. Using the Oklahoma City auction market for 750-to 800-pound feeder steers as a reference point for yearling cattle values, prices moved up in both October and November. The September-October price increase in 2017 was \$3.61 per cwt. followed by a \$3.09 gain in November. Prices then declined in December.

On a weekly basis feeder steer prices in 2017's fourth quarter peaked at \$166.28 per cwt. the week ending November 10th and then generally eroded, averaging \$149.87 for the last auction of the calendar year. In 2017's final quarter 750- to-800-pound steers at Oklahoma City averaged \$155.10 per cwt. That was a year-over-year surge of \$26.48 per cwt. or up 21%.

The year-over-year gains in yearling prices in the fourth quarter of 2017 was directionally consistent with the demand for yearling steers caused by rising prices of fed cattle. Additionally, specifically the increase from early October into November, prices were supported by the supply side of the feeder cattle market. The supply driver for the yearling market in the fall is the calves that were born in the prior year. In 2016, the U.S. calf crop expanded by 3%, according to USDA's National Agricultural Statistics Service (NASS). Calves born in Oklahoma during 2016 surpassed the prior year tally by 8%. Oklahoma City auction market receipts for 750- to 800-pound feeder steers in October were up 7% from the previous October. In November, market receipts for 750-to 800-pound steers fell short of the prior November by 7%. That suggests both supply and demand factors drove the last leg up in prices (into early November).

Market receipts for 750- to 800-pound steers in Oklahoma City in December continued to be less than a year ago. As in November, that situation reflected large numbers of yearling animals placed into feedlots during August through October. Further, the composition of 750- to 800-pound steers moving through the Oklahoma auction is also made up of more calves than a year ago, with 8.9% of the steers noted as calves versus 4.3% last year during the November-December interval. Even though feeder steer prices declined during December, the tight supply of traditional yearling steers likely mitigated the price drop.

SLAUGHTER LAMB MARKET: REVIEW AND OUTLOOK

Beginning calendar year 2017, USDA-NASS reported the number of U.S. market lambs at 1.345 million head, which was slightly below 2016's (down 25,000 head or 0.7%). The January 1, 2017, NASS survey of producers put the national number of ewes one year and older down 70,000 head year-over-year (decline of 2.3%), suggesting a smaller lamb crop in 2017. So, Federally Inspected (FI) lamb slaughter in 2017 was forecast to be below a year earlier, and it was (dropping 2.8%). The average slaughter weight declined compared to 2016's. So, 2017's commercial lamb production posted a decline from a year earlier of 3.6%.

On a quarterly basis, the national average formula carcass prices for 2017 were below 2016's in both the first (down 0.8% year-over-year) and the fourth quarter (dropping 4.8%). Prices peaked in the summer (July-September) quarter and reached their highest for that timeframe since 2011's. For the full calendar year, slaughter lamb prices increased 6.2%, and the national average formula carcass price was just over \$300.00 per cwt., the highest since 2014.

U.S. lamb imported tonnage for 2017 will come in larger than expected. For the first ten months of the year (latest data available), volume imported was 12% above 2016's. October's imports surged 29% above 2016's, setting an all-time high for that month. Imported tonnage was the main factor causing U.S. slaughter lamb prices to be below a year earlier in the fourth quarter of 2017. The number of lambs on-feed in Colorado (the largest lamb feeding state), are estimated monthly by the USDA's Agricultural Marketing Service (Market News) office in Greeley, Colorado. That count has been above a year earlier each month since July 1, 2017. That increase has been supported by early sales of feeder lambs in drought-impacted Northern Plains and Western states. As of December 1, 2017, the number of lambs in Colorado feedlots was up nearly 26,000 head (12%) compared to a year earlier.

More lambs in feedlots than a year ago may keep early 2018 slaughter lamb prices near those of 2017's fourth quarter. Still, prices are forecast to be above a year ago. After the first quarter of 2018, slaughter lamb prices are likely to mirror 2017's.