Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . . May 25, 2018

Production

Week Ending 5/26/2018	Last	Year Ago
FI Cattle Slaughter (Thou Hd)	647	623
FI Hog Slaughter (Thou Hd)	2302	2202
FI Sheep Slaughter (Thou Hd)	39	39
Live Y. Chicken Sl. (Mil Hd)	164.1	164.6
Slaughter Cattle Live Weight	1322	1311
Slaughter Hog Live Weight	286	281
Slaughter Lamb/Sheep Live Wt.	141	129
Beef Production (Mil Pounds)	515.4	491.2
Pork Production (Mil Pounds)	492.2	462.2
Lamb, Mutton Prod. (Mil Lbs.)	2.7	2.5
Previous 6 Wk. Moving Avg.		
Total Beef (Mil Lbs)	514.2	487.5
Total Pork (Mil Lbs)	501.4	479.4
Total Lamb, Mutton (Mil Lbs)	2.7	2.3

Prices

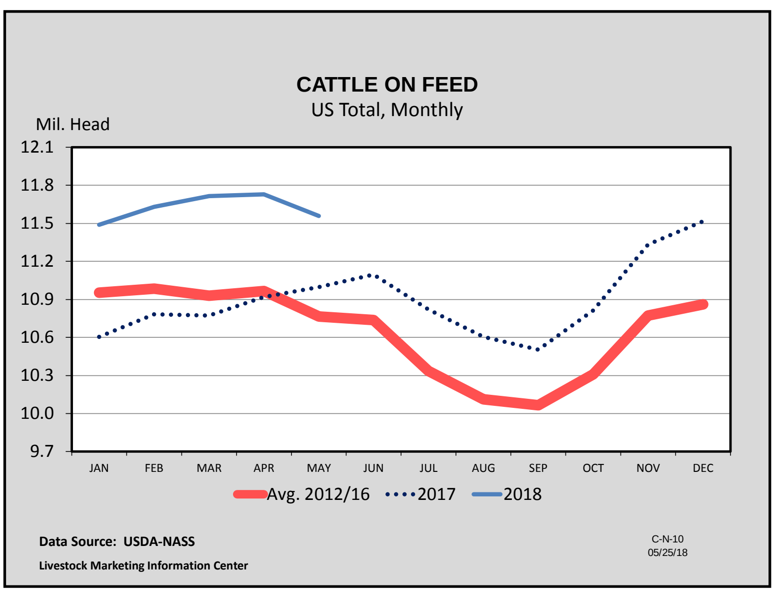
Weekly Average ($/Cwt)	Last	Week Ago	Year Ago
Live Steer	112.73	114.73	131.50
Dressed Steer	180.35	184.02	208.61
Choice Beef Cutout	229.34	231.94	246.28
USDA Hide/Offal	9.49	9.69	11.38
GA Auction Fdr. Str. (6-7 Cwt.)	138.33	135.36	137.88
Iowa/S. Minn. Base Hog	64.66	64.67	71.67
Natl. Net Hog Carcass	71.40	69.75	76.58
Feeder Pigs (40 Lbs) ($/Head)	48.83	55.25	52.86
Pork Cutout	75.35	74.32	89.89
Lamb Cutout	335.89	332.61	366.80
Corn, Omaha ($/Bu)	3.84	3.72	3.43
Wheat, Portland ($/Bu)	5.91	5.87	4.88
Wheat, Kansas City ($/Bu)	5.54	5.29	4.02
Soybeans, Cntrl IL ($/Bu)	10.20	9.77	9.34

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

Trends . . . CATTLE ON FEED INVENTORY AND PROSPECTS

As shown in the latest (released May 25th) monthly report by USDA's Agricultural Statistics Service, as of May 1st, the number of cattle in commercial feedlots was 11.6 million head, 5.1% above a year ago. Year-over-year increases in the on-feed count have been in place since early 2016 and the percentage increase surged beginning in late 2017 as a result of more animals placed into feedlots, largely due to drought. Many of those lightweight animals have been in feedlots for eight to ten months. In the last two months that picture has been changing, with head placed significantly below a year ago (most recently falling by 5.9% from 2017's amount).

The marketings of fed cattle throughout most of 2017 were strong, especially when compared to 2016's. Daily average marketings have remained above a year ago levels every month so far this year. Typically, the biggest months for fed cattle marketed are May and June that is expected to be the situation again this year.



So far this year, the largest year-over-year increase in the on-feed inventory occurred as of March 1, which was up 8.8%. Since then, that percentage has steadily eroded. As mentioned earlier the inventory was most recently up 5.1%. The recent trend of declines in animal placed into feedlots suggests that the number of animals in feedlots will decline seasonally until September. Importantly, the percentage increase compared to 2017's is projected to continue dropping through the summer months. This year, the seasonal drop could be larger than normal. By September 1, 2018, the number of cattle on-feed could be only 1% to 3% above 2017's.

SUPPLY TRENDS DAMPEN LAMB PRICE PROSPECTS

Frozen lamb and mutton in U.S. commercial freezers at the end of April was the largest in 20 months, as shown in the latest monthly Cold Storage report by USDA's National Agricultural Statistics Service (NASS). Additionally, the pipeline of animals in feedlots is abundant for this time of year. The good news is that weights of slaughter lambs remain in the normal range, that is, plentiful supplies of over-finished lambs are not apparent at this time. Compared to last year, summer's slaughter lamb price increase may be modest.

The tonnage of frozen lamb and mutton in the U.S. was 34 million pounds at the end of April; a year-over-year surged of 5.4 million pounds or 19%. Though still below the very burdensome levels of mid-2015 into mid-2016, the levels are capping the potential for summer price increases. Any working-down frozen stocks will mitigate the likelihood of year-over-year declines in lamb markets this fall.

Colorado is by far the largest lamb feeding state. The number of lambs on-feed in Colorado, the only state with publically reported estimates (compiled by USDA's Agricultural Marketing Service), has been well above a year ago. That trend began in late 2017 due to drought and favorable return prospects for lamb feeders. Those increases have come even though the number of lambs produced in 2017 declined from the prior year. As of January 1, 2018, the on-feed count was about 214,700 head; that was over 22,000 head above 2017's (up 11.6%). As of March 1st, the year-over-year increase in lambs on-feed was over 34,000 animals (rising 26.9%). In the latest data, as of May 1st, there were nearly 53,000 more animals in feedlots than a year ago, that a walloping 55.7%. Even though the increases have been substantial compared to 2017's, since March 1st, the on-feed counts in Colorado have been similar to the five-year average from 2012-16.

Larger on-feed numbers have contributed to a bigger harvest than a year ago. For the last three months (March-May), estimated Federally Inspected slaughter had been about 6% above 2017's. Slaughter lamb and yearling weights from March through mid-May mostly near year-ago levels and consistently below the prior 5-year average. During the last two weeks of data (through mid-May), lamb and yearling slaughter levels increased 12.5% compared to last year's the rather low level.

Sizeable year-over-year supply increases in the production system are impacting slaughter lamb prices compared to in 2017. Beginning in late April of last year, slaughter lamb prices had started a dramatic surge (rising over 20% in about six weeks). That will not likely be repeated anytime this year, still, prices could be above the 2012-16 average levels. Feeder lamb prices in most markets turned below a year earlier in early March of this year. Nationwide, the 2018 lamb crop is forecast to be smaller than 2017's, so there could be modest year-over-year gains in feeder lamb prices as the new-crop comes to market.

DAIRY PRODUCT DEMAND STARTS YEAR ON IMPROVED NOTE

U.S. butter and cheese use during the first quarter of 2018 was increasing at a pace exceeding the gains in milk production. That represents an improvement situation from 2017, except for American-type cheese, which did post a 2.5% increase in usage during 2017 (following a 2.8% gain in 2016). The first quarter of 2018 saw American-type cheese usage increase by a rather dramatic 8.6% compared to 2017's. Meanwhile, non-American-type cheese (mostly Italian varieties) usage was up 3.6% year-over-year for the just completed quarter, compared to 2016 usage was unchanged. Butter domestic usage for the first quarter was up 5.1% from a year earlier. In 2017, butter usage topped prior years by a fraction of one percent.

Export markets in recent months have provided some additional support to butter and cheese markets, as well as for the milk powder. American-type cheese exports were up 44% in the first quarter compared to a year earlier. That might be sensational if not for the fact that exports only account for 3% of American-type cheese production. Still, the increase was a factor limiting the gains in American-type cheese cold storage holdings during recent months. Non-fat dry milk exports during the first quarter were up 23% from a year earlier. Milk powder production during the first quarter increased 3%. The year-over-year rise in exports more than offset production resulting in a decline in non-fat dry milk availability in the domestic market for the quarter.

Cheddar cheese prices have climbed steadily since mid-February, an important trend. The large inventories in cold storage would generally be expected to exert some downward pressure on price or at least hold prices nearly steady. The Class III milk price increased $0.25 per cwt. in April. The rising trend in cheese prices through mid-May would suggest a slightly higher milk price in May. That situation is a positive surprise compared to expectations that were in place in the middle of the winter quarter. Swinging expectations are an essential factor driving short-term price behavior and the dairy product usage, but the rate of improvement recorded during the first quarter may not be sustainable during the balance of this year. In coming months, unless there are some new developments with regards to reducing milk supplies or new sources of demand for dairy products, dairy product and milk prices may stabilize or retrace some of their recent gains.