

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

June 29, 2018

Production			Prices			
Week Ending 6/30/2018	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	646	638	Live Steer	106.35	108.74	118.64
FI Hog Slaughter (Thou Hd)	2239	2200	Dressed Steer	169.99	173.21	189.95
FI Sheep Slaughter (Thou Hd)	38	36	Choice Beef Cutout	215.00	218.65	230.64
Live Y. Chicken Sl. (Mil Hd)	165.3	163.9	USDA Hide/Offal	9.58	9.65	11.86
Slaughter Cattle Live Weight	1318	1328	GA Auction Fdr. Str. (6-7 Cwt.)	136.16	137.38	137.35
Slaughter Hog Live Weight	281	277	Iowa/S. Minn. Base Hog	77.33	82.22	87.11
Slaughter Lamb/Sheep Live Wt.	139	138	Natl. Net Hog Carcass	83.49	84.17	89.67
Beef Production (Mil Pounds)	514.9	512.0	Feeder Pigs (40 Lbs) (\$/Head)	39.92	39.89	51.97
Pork Production (Mil Pounds)	471.3	454.7	Pork Cutout	87.30	84.94	102.49
Lamb, Mutton Prod. (Mil Lbs.)	2.6	2.5	Lamb Cutout	327.33	334.66	385.85
Previous 6 Wk. Moving Avg.			Corn, Omaha (\$/Bu)	3.31	3.42	3.32
Total Beef (Mil Lbs)	511.6	496.5	Wheat, Portland (\$/Bu)	5.85	5.95	5.31
Total Pork (Mil Lbs)	464.2	449.1	Wheat, Kansas City (\$/Bu)	5.16	5.19	4.91
Total Lamb, Mutton (Mil Lbs)	2.7	2.5	Soybeans, Cntrl IL (\$/Bu)	8.57	8.72	9.15

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

Trends . . . HIGHER JUNE 1 U.S. HOG INVENTORIES

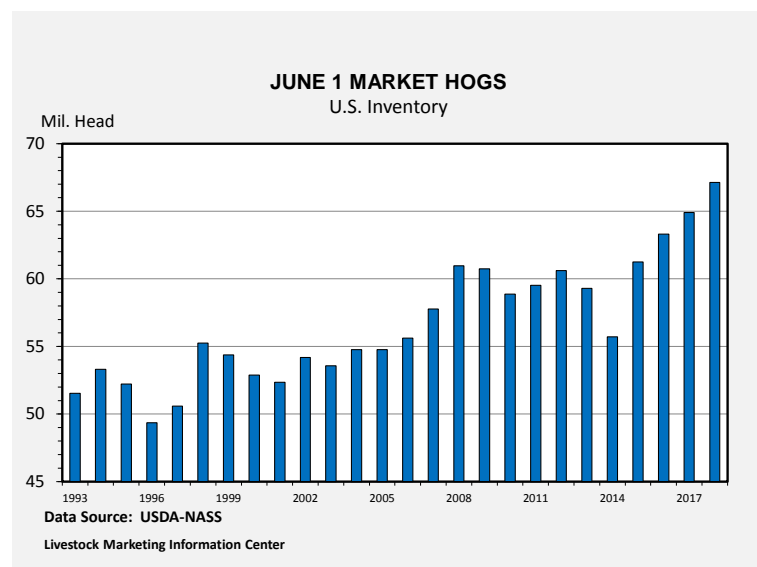
The quarterly survey of U.S. hog production by USDA's National Agricultural Statistics Service NASS was generally in-line with analyst pre-report estimates, showing continued U.S. herd growth. As of June 1st, market hogs totaled 67.13 million head, up 3.4% year-over-year. Animals kept for breeding were well above the expected level and outside the pre-report range, coming in about 100,000 head above the average of the analysts. The total U.S. herd was 73.45 million head, rising 3.4% compared to a year ago, the average pre-report estimate was up 3.0%.

Even though the breeding herd was larger than anticipated, producers reported intentions to farrow near expectations. For June-August, producers intend to farrow 1.6% more sows than a year earlier. September-November intentions also are up 1.6%. The incongruity between the size of the breeding herd as of June 1st and the farrowing intentions in coming months will merit close monitoring of the

number of sows being slaughtered that are of U.S. origin.

With more hogs coming to market, a key to tonnage produced in the months ahead will be barrow and gilt dressed weights. During the last two weeks of available data (through the week ending June 16th), dressed weight has declined significantly and have returned to the year ago and prior five-year average levels.

U.S. commercial pork production in 2018's first three months increased 3.7% year-over-year. The Livestock Marketing Information Center (LMIC) projects the second quarter's output will be up 3.1% compared to 2017's and forecasts the summer quarter rise at 3.6%. This year's fourth quarter is forecast to be 5.1% above



2017's. However, note that the quarter has one more slaughter day than a year earlier (that represents about 1.6% of the year-over-year change). Year-over-year, the rate of growth in pork production is forecast to moderate during the first two quarters of 2019, but should still post gains.

FROZEN MEAT IN STORAGE UP FROM LAST YEAR BUT DECLINES IN MAY

Meat and poultry inventories in freezers are above year earlier, without exception. The biggest increase, in percentage terms, was lamb, with 19% more in storage than on May 31 of last year. In absolute volume terms, the biggest year-over-year increase was in chicken, based on a gain of 93 million pounds, year-over-year. Beef registered the next largest increase of 54 million pounds, of which boneless product represents over 90% of the increase. Pork inventories were up 33 million pounds with belly stocks accounting for two-thirds of that rise. Frozen turkey stocks posted the smallest year-over-year increase (5 million pounds) since November 2015, an indication that the turkey industry is making progress in aligning production with consumer demand.

During May, chicken inventories expanded by 10 million pounds. During the month of May, that was the biggest increase since 2014. In 2014, frozen chicken inventories were 25% less than they are now, and were at the lowest levels for the spring quarter in close to 20 years.

Wholesale breast meat prices this May averaged 10 cents lower than April, the biggest May price decline for breast meat in over 10 years. The decline in breast meat prices may have helped to limit the increase in frozen breast meat to 5 million pounds during May as additional usage may have been encouraged. Breast meat prices have continued to drift down in June, as have prices for most other broiler products, as the industry tries to encourage more usage to reduce freezer inventories. That could distract some consumers from the red meat area of the grocery store this summer.

Frozen beef inventories in May declined by 5 million pounds, even though they were considerably above a year earlier. Frozen beef inventories usually decline during May, and this year's slippage compares to a 46 million pound drawdown in May 2017, a 6 million pound decline in May 2016 and a 10 million pound drop in 2015. Frozen boneless beef quantities dropped 8 million pounds while beef cut inventories increased 3 million pounds.

U.S. frozen beef inventories tend to track roughly with beef import and export volumes. The most recent monthly data on beef imports shows monthly year-over-year declines of about 15 million pounds, so the trend in boneless beef holding is consistent with beef import trends. U.S. cow and bull slaughter is up about 10% this quarter, with beef from this source primarily marketed as 90% lean products, and this could be limiting the pace at which frozen beef inventories are declining. During the second quarter of this year, the price spread between domestic and imported lean beef trimmings has continued a trend of increasing premiums for domestic product. That should discourage imports in upcoming months and lead frozen beef inventories to remain in a month-to-month downtrend, and eventually result in year-over-year declines.

BRED BEEF COW PRICE TRENDS

Bred cow prices, basis the Oklahoma City market, have trended lower this spring for the third year in a row. Mid-aged bred cows (1200-to 1300-pound) during April and May averaged \$1082 per head. During the same months of 2017, bred cows of the same description averaged \$1194. Spring quarter mid-aged bred cow prices peaked in 2015 at \$1875. These prices tend to follow the trend set by feeder cattle prices, but with a bit of a time lag. This spring's mid-age bred cow price was 6.11 times the 500- to 550-pounds steer price at Oklahoma City. Last year, the ratio was 6.74, and in 2016 the ratio peaked out at 8.06 for the 2004-2018 interval. The peak in the ratio was one year behind the highest spring quarter feeder steer prices (\$285 per cwt., 500- to 550-pound). The ratio hit a low point in the spring of 2010 at 5.66.

Young bred cow prices have been under more pressure than mid-aged cows this spring. Prices have declined by more than \$200 from last spring and have averaged a discount of \$40 compared to mid-aged bred cows. Over the last 15 years, discounts have occurred only about 20% of the time and \$40-\$45 is as big as the discounts tend to get. The year of the biggest premiums for young bred cows was 2015 (when feeder cattle prices peaked) at \$165.

Young bred cow values in the Northern Plains have been at a premium to the Southern Plains for at least the last six years. Prices for young bred cows in Montana markets have held steady with a year ago this spring after declining \$100 from 2016 to 2017. A \$400 premium for Montana young bred cows versus the Oklahoma City market this year rivals the euphoric Montana premium of 2015, even though actual prices are \$1000 lower than what they were three years ago.