

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

August 31, 2018

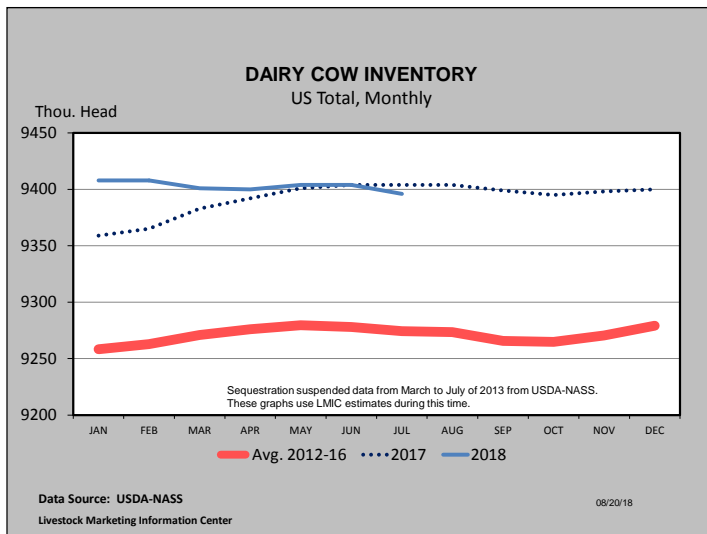
Production			Prices			
<b>Week Ending 9/1/2018</b>	Last	Year Ago	<b>Weekly Average (\$/Cwt)</b>	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	635	623	Live Steer	107.17	109.02	104.66
FI Hog Slaughter (Thou Hd)	2455	2322	Dressed Steer	169.31	172.78	165.71
FI Sheep Slaughter (Thou Hd)	35	43	Choice Beef Cutout	212.03	213.99	191.65
Live Y. Chicken Sl. (Mil Hd)	166.5	163.7	USDA Hide/Offal	9.50	9.32	10.63
Slaughter Cattle Live Weight	1343	1354	GA Auction Fdr. Str. (6-7 Cwt.)	135.48	135.88	130.15
Slaughter Hog Live Weight	278	279	Iowa/S. Minn. Base Hog	36.81	38.89	63.51
Slaughter Lamb/Sheep Live Wt.	139	128	Natl. Net Hog Carcass	52.03	54.22	73.05
Beef Production (Mil Pounds)	518.4	511.9	Feeder Pigs (40 Lbs) (\$/Head)	22.21	18.80	35.54
Pork Production (Mil Pounds)	510.2	484.3	Pork Cutout	65.71	65.66	84.54
Lamb, Mutton Prod. (Mil Lbs.)	2.4	2.7	Lamb Cutout	337.93	331.23	369.67
<b>Previous 6 Wk. Moving Avg.</b>			Corn, Omaha (\$/Bu)	3.18	3.23	3.19
Total Beef (Mil Lbs)	521.5	516.9	Wheat, Portland (\$/Bu)	5.99	6.06	5.03
Total Pork (Mil Lbs)	488.3	475.5	Wheat, Kansas City (\$/Bu)	5.53	5.49	4.60
Total Lamb, Mutton (Mil Lbs)	2.6	2.5	Soybeans, Cntrl IL (\$/Bu)	7.83	8.09	9.40

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

## Trends . . . MILK COW POPULATION SLIPS AS LOW MILK PRICES SLIDE

USDA-National Agriculture Statistical Service (NASS) estimated that the milk cow herd slipped 8,000 cows during July, which is the same as the year-over-year. That was the lowest herd tally since last October. U.S. milk production was up 0.4%, tied for the smallest year-over-year percentage increase since April of this year.

Over the last 12 years, the U.S. milk cow herd count has declined three times from June to July: 2009, 2012, and 2015. In all three of those years, mid-year milk prices had declined by at least 20% from the prior year. In the case of 2009, milk prices were 40% lower than a year earlier. The size of the milk cow herd in 2009 and 2012 continued to decline and was smaller at year-end, while the year-end dairy herd at the end of 2015 was only up 6,000 head. The All-Milk price received by farmers in June was only down 6% from a year earlier, as reported by USDA-NASS. Milk prices have not gyrated as dramatically as they have in the past, but have not been able to recover significantly for an extended period, back to 2015.



Normally, the milk cow herd expands in the last few months of the year as the fall crop harvest gives milk producers a better idea about the outlook for feed costs in the coming year and demand for dairy products improves going into the late-year holidays. In 2017, milk cow numbers settled back slightly in the last quarter after expanding rapidly in the first half of that year. This year may see a similar pattern, even though fall harvests of corn and soybeans are expected to be bountiful. The exception will be hay, with alfalfa prices supported by limited inventories remaining from the 2017 harvest and production that is up from prior years but not by enough to pull prices down significantly.

The demand side of the dairy market has provided a headwind. Fluid milk retail sales volumes in June were down 4% from a year earlier, putting an exclamation point on sales volumes that were down 2% for the first half of the year. Cheese and butter usage is up this year, but not by enough to negate the effects of challenges for fluid milk products. Butter usage during the first half of the year was up 2%. American-type cheese usage was up 6% in the first half while other cheeses (mostly Italian types) were up 2%, but most of this increase was registered during the first three months of the year. Inventories of all these products in cold storage is characterized as burdensome. Reducing those inventories is probably a priority for milk prices received by producers.

## MONTHLY POULTRY SLAUGHTER SHOWS STRONG GAINS

USDA NASS released Monthly Poultry Slaughter on Friday, August 24, 2018, for the month of July. Ready to Cook (RTC) production was much higher than year-ago levels, gaining 8% in total chicken and 3% in total turkey. RTC chicken production was the highest July on record dating back to the start of this report in 1960. Young chickens, the largest proportion of the poultry slaughter also had the highest July on record and was up 7% from last July.

Production figures include increases in both the live weights and the number of birds harvested. July 2018 posted a 14% increase in the number of heavy mature chicken slaughter and a 6% increase in the number of young chickens slaughtered. Total live weights were up 9% for mature chickens, with those heavy mature hens contributing significantly, as light hen slaughter figures were down 8%. Young chicken live weight was up 7% and was a new record high for July. In turkey, slaughter was up 4% for both young and total turkeys. Both turkey categories had live weight year-over-year increases of about 4%.

LMIC forecasts that third quarter chicken production will be the highest on record, and July figures are setting up well for that conclusion. Lower cost of production via lower feed costs is allowing for continued production growth even though prices are below a year ago.

Cold storage inventories continue to grow with large production figures, a trend that is likely to continue for the next several months. The latest cold storage report indicated total chicken is up 10% year over year. Turkey production has not been as strong but is ramping up for the holiday season. Inventories will build seasonally, but the question remains if we will work through it this fourth quarter. Lower prices across all proteins could allow for substitution in the meat case away from turkey as the go-to for holiday dinner tables. Ham, in particular, is one that could take away from turkey consumption both at Christmas time and in the deli section.

## U.S. SHEEP/LAMB SECTOR STRUGGLES WITH HUGE FROZEN STOCKS, AGAIN

Of all the animal-based proteins, large frozen stocks of lamb and mutton tend to be the most influential on wholesale and live animal prices. Compared to other meats and poultry, the quantity of frozen lamb and mutton as a proportion of production can be dramatically larger. As a proportion of quarterly production beef, pork, and poultry in frozen stocks are small. However, in recent years frozen lamb and mutton has at times been equivalent to, or larger than, a whole quarter of U.S. tonnage produced. That situation first occurred in 2014, and burdensome frozen tonnage persisted into mid-2016. Then those stocks were finally worked-off. In the second quarter of this year, frozen tonnage again became very large

The latest USDA NASS Cold Storage report (data for the end of July) put frozen lamb and mutton tonnage at 55% above a year ago and the largest for any month since the end of May 2016. The types of products in commercial freezers is unknown. Has the build-up been mostly imported product, or domestic? Is it high value cuts (e.g., rack of lamb) or less valuable parts of the carcass?

Based on past experience, we do know that when frozen stocks have been huge in this sector prices have tended to be capped, and less seasonal than normal. When those stocks are finally worked-down, the stage is set for stronger prices. This year's price of slaughter lambs, and hence to some extent feeder lambs, have been lower than forecast over the last three to four months. In fact, lamb prices have been below a year ago, and that situation has been related to market dynamics that have resulted in a surge in frozen products. Declining tonnage in cold storage will eventually uncap lamb prices, but that transition has not begun.