

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

October 26, 2018

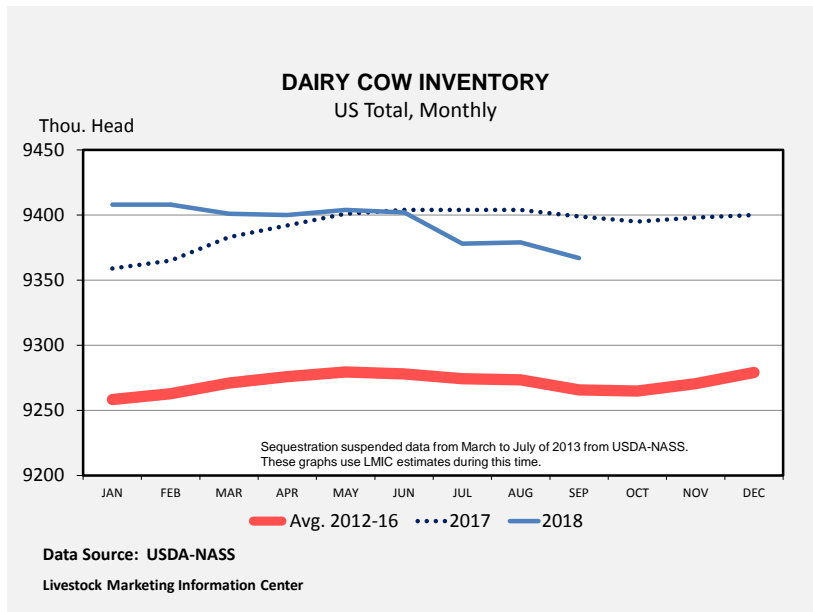
Production			Prices			
<b>Week Ending 10/27/2018</b>	Last	Year Ago	<b>Weekly Average (\$/Cwt)</b>	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	633	625	Live Steer	111.25	110.05	116.98
FI Hog Slaughter (Thou Hd)	2569	2515	Dressed Steer	175.06	173.84	181.54
FI Sheep Slaughter (Thou Hd)	35	39	Choice Beef Cutout	211.50	205.74	201.05
Live Y. Chicken Sl. (Mil Hd)	167.9	164.4	USDA Hide/Offal	9.02	9.08	10.06
Slaughter Cattle Live Weight	1369	1368	GA Auction Fdr. Str. (6-7 Cwt.)	134.44	137.02	133.49
Slaughter Hog Live Weight	282	284	Iowa/S. Minn. Base Hog	57.60	59.48	65.36
Slaughter Lamb/Sheep Live Wt.	137	133	Natl. Net Hog Carcass	65.42	67.44	68.29
Beef Production (Mil Pounds)	524.8	518.0	Feeder Pigs (40 Lbs) (\$/Head)	39.55	41.21	50.26
Pork Production (Mil Pounds)	538.8	532.0	Pork Cutout	77.51	79.49	76.71
Lamb, Mutton Prod. (Mil Lbs.)	2.4	2.6	Lamb Cutout	332.98	336.28	346.30
<b>Previous 6 Wk. Moving Avg.</b>			Corn, Omaha (\$/Bu)	3.31	3.31	3.16
Total Beef (Mil Lbs)	531.3	523.0	Wheat, Portland (\$/Bu)	6.11	6.12	5.25
Total Pork (Mil Lbs)	525.1	528.3	Wheat, Kansas City (\$/Bu)	5.00	5.16	3.57
Total Lamb, Mutton (Mil Lbs)	2.6	2.5	Soybeans, Cntrl IL (\$/Bu)	7.95	8.21	9.46

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

## Trends . . . DAIRY PRODUCERS MODESTLY CUTTING COW NUMBERS

The U.S. dairy cow herd declined month-to-month during September, the fifth so far this year, according to USDA-National Agricultural Statistical Service (NASS). This summer, the national herd averaged 27,000 fewer animals than a year earlier. The spring-to-summer decline in milk cows was similar to 2012's, a year when milk prices were declining from the prior year, and feed costs were racing towards record highs. This year, milk prices are lower than a year ago, and hay prices have been on the upswing, but grain prices have been at values similar to recent years.

Importantly, even with eroding cow numbers, national milk production during the July-September quarter was up 0.9% from a year earlier, boosted by continued gains in productivity. Milk produced per cow during the summer quarter was up 1.2% from the same quarter in 2017.



During the Summer, small reductions in milk cows were posted in over a dozen states. Texas dairies were moving against the US trend, however, with 13,000 cows added to the dairy herd from June to September. Improved milk cow productivity has also been a highlight of the summer in Texas, topping a year earlier by 4.5%. Milk cow productivity in California was up by 5% in September from 2017's, accounting for a sizeable increase in U.S. milk output. For the Summer quarter, California milk cow productivity was only up 1.8%.

The verdict was mixed on the Summer's dairy sector product supply and demand situation. Inventories of

butter and cheese in cold storage were up from a year earlier. American-type cheese (mostly cheddar) frozen stocks began the quarter slightly below the prior year's, but ended up 2%. American-type cheese usage during July and August was up 8.7% year-over-year, according to USDA-Economic Research Service, in-line with robust retail sales in the foodservice and restaurant sector. The increase in American-type cheese inventories is consistent with accelerating flows of product through marketing channels. Non-American-type cheese inventories (mostly Italian types) started the quarter 17% larger than a year earlier and finished up 9%. Usage of those types of cheeses during July and August was up 7% from 2017's. Efforts to reduce inventories tended to keep a lid on cheese and milk prices, with quarterly averages only slightly higher between the spring and the summer. Cheese market price trends were somewhat disappointing in October.

## LESS PORK PRODUCTION THAN EXPECTED IN SEPTEMBER AND OCTOBER

Since early September, U.S. pork production has consistently been lower than expected. The two components of production, head harvested and carcass weights, have both tended to be less than forecasts. That contributed to stronger slaughter hog prices compared to this August and early September, and also translated into year-over-year price increases that persisted through mid-October.

Beginning with the first full week of September, six weeks of barrow and gilt slaughter data are available (through the week ending October 13th). During that timeframe, weekly average Federally Inspected (FI) barrow and gilt slaughter was down 2.0% and only two weeks had increases compared the respective weeks in 2017. Preliminary USDA estimates are available on total FI hog slaughter for the last two weeks, which showed a year-over-year rise of 3.5%.

In the last Quarterly Hogs and Pigs report by USDA's National Agricultural Statistics Service (NASS), which was as of September 1<sup>st</sup>, the number of market hogs reported by producers were above a year ago. The heavy weight category, those weighing above 180-pounds, was reported at 3.5% above a year earlier. Most of those animals should have been harvested by mid-October. But, as described in the prior paragraph, barrow and gilt slaughter fell by 2.0%. As of September 1<sup>st</sup>, NASS reported that the 120-to 179-pound market hog weight category was up 3.5% compared to a year earlier. Although it's still too early to be definitive, data for recent weeks has lined up with the NASS report. Over the last two weeks, preliminary slaughter averaged 3.5% above a year ago.

For the last six weeks of data (through the week ending October 13th), FI barrow and gilt dressed weight has averaged 1.5 pounds below a year earlier. Only the week ending October 13<sup>th</sup> posted a dressed weight equal to 2017's.

Lower than anticipated slaughter and dressed weights caused U.S. weekly average FI pork production from early September through late-October (eight weeks) to drop compared to a year ago by 1.3%. Over that same timeframe, national dressed hog base prices were slightly below 2017's (down 0.6%). Notably, there were large year-over-year price drops during early September because of issues related to foreign demand prospects. During the last five weeks, hog prices were over \$5.00 per cwt. (carcass basis) above a year ago. Last week, base slaughter hog prices was down \$2.72 per cwt. compared to a year ago (-4.1%). For the balance of this year, if slaughter continues to be at levels indicated by the Hogs and Pigs report, prices are expected to remain below 2017's.

## ESTIMATED COW-CALF RETURNS

For many years, the LMIC has estimated cow-calf returns for market analysis purposes. Those numbers are not survey based, and do not reflect any individual operation. The estimates only incorporate cash production costs plus pasture rent. A commercial size herd that weans and sells calves in the fall is assumed. Those estimates provide an economic barometer and time-tested insight into national-level production decisions by cow-calf operations.

Production costs during 2018 have escalated in several categories, led by winter feed, and by fuel and utilities. Higher interest rates also have raised costs. Cull cow prices have fallen dramatically, which is projected to slightly lower income from all cattle sales compared to 2017's.

These estimates are best interpreted in a broad context, focusing on the direction of change. On a per cow basis, cash return for 2018 is expected to be slightly negative (about \$-10.00 per cow). Last year (2017) had a positive return over cash costs due to calf prices that strengthened during the second half of the year. Estimated loss per cow in 2018 was smaller than 2016's. The preliminary 2019 LMIC forecast is for positive returns over cash costs. That situation may further improve in 2020.