

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

January 4, 2019

Production			Prices			
<b>Week Ending 1/5/2019</b>	Last	Year Ago	<b>Weekly Average (\$/Cwt)</b>	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	520	545	Live Steer	122.84	122.52	121.61
FI Hog Slaughter (Thou Hd)	2262	2122	Dressed Steer	194.18	194.25	193.83
FI Sheep Slaughter (Thou Hd)	30	31	Choice Beef Cutout	215.75	215.13	207.98
Live Y. Chicken Sl. (Mil Hd)	117.7	137.3	USDA Hide/Offal	8.88	8.87	10.70
Slaughter Cattle Live Weight	1374	1382	GA Auction Fdr. Str. (6-7 Cwt.)	NQ	NQ	NQ
Slaughter Hog Live Weight	286	286	Iowa/S. Minn. Base Hog	46.83	44.56	62.70
Slaughter Lamb/Sheep Live Wt.	136	143	Natl. Net Hog Carcass	57.44	56.93	66.22
Beef Production (Mil Pounds)	430.5	454.9	Feeder Pigs (40 Lbs) (\$/Head)	72.57	70.42	77.56
Pork Production (Mil Pounds)	482.6	454.1	Pork Cutout	69.96	70.51	78.72
Lamb, Mutton Prod. (Mil Lbs.)	2.0	2.2	Lamb Cutout	339.77	346.04	328.18
<b>Previous 6 Wk. Moving Avg.</b>			Corn, Omaha (\$/Bu)	3.63	3.55	3.29
Total Beef (Mil Lbs)	494.1	495.7	Soybeans, Cntrl IL (\$/Bu)	8.86	8.48	9.54
Total Pork (Mil Lbs)	518.5	511.6				
Total Lamb, Mutton (Mil Lbs)	2.6	2.7				

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

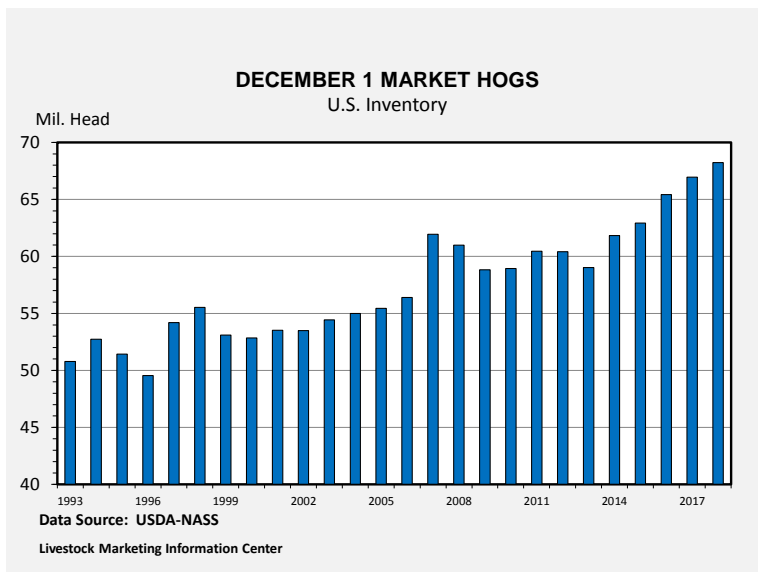
### Trends . . . HOG MARKETS: REVIEW AND 2019 PRICE OUTLOOK

There were fewer lightweight pigs reported than expected in the latest Quarterly Hogs and Pigs report (released December 20th) by USDA's National Agricultural Statistics Service (NASS). The number of animals in the under 50 pounds weight category was only 0.9% above a year earlier. As of December 1, the number of market hogs increased 1.9% year-over-year. December-February farrowing intentions were 2.5% above a year earlier, and producers reported that they intend to farrow 1.5% more sows during March-May of 2019 than in 2018.

Frozen pork tonnage in commercial facilities was significantly less than expected as of November 30th (NASS released data on December 21st). Even though U.S. pork production has been substantial, frozen stocks only increased by 1.0% compared to a year earlier.

For 2018, the Livestock Marketing Information Center (LMIC) recently projected U.S. commercial

hog slaughter at 124.4 million head, a year-over-year increase of 2.5%. Annual average carcass weight increased slightly (up 0.2%). At 26.3 billion pounds, commercial pork production in 2018 was record-large and increased 2.9% compared to 2017's. The LMIC projected (actual data were available for January-October) that calendar year 2018 pork export tonnage was about 5.9 billion pounds (carcass weight equivalent, which excludes variety meats). That would be an all-time high. U.S. per capita disappearance was estimated to be 50.7 pounds on a retail weight basis, up less than one pound from 2017's and the largest since 2007. The national base barrow and gilt carcass price for 2018 was



just below \$64.50 per cwt. (slipping 8% from a year earlier), which was the lowest since 2016's.

This year (2019), the LMIC forecast is for U.S. pork production to increase year-over-year, reaching about 26.9 billion pounds. That would be a year-over-year increase of 2% to 3%. U.S. pork export tonnage (not including variety meats) is forecast to be near 6.1 billion pounds. That number could be significantly higher or lower depending largely on sales to China and Mexico. Per capita pork disappearance (retail weight) may be unchanged compared to 2018's (LMIC current forecast is 50.9 pounds). LMIC suggests that for the full year hog prices will be close to 2018's.

On a quarterly basis, prices this year may show a bit more seasonality than occurred in 2018. The first quarter price could be below 2018's (down about 7%). The second and third quarters could bring hog prices above 2018's (up 2% to 5%), while the fourth quarter may show little year-over-year change.

## U.S. STOCKS OF DAIRY PRODUCTS REMAIN LARGE BUT BEGIN TO DIP

Milk production during 2018's final quarter is projected to post the smallest year-over-year increase since 2015. November output was up 0.8% year-over-year, and the quarterly tally should come in below that increase, assuming milk cow inventories and cow productivity maintain recent trends. A consequence of moderating milk supplies has been reductions in burdensome frozen stocks of dairy products.

End-of-November inventories of butter were down 6 million pounds from 2017's, the first decline from a year earlier since March. Butter inventories started November up 13 million pounds over the previous year, which followed September's jump, which was the biggest increase of the year (up 27 million pounds from a year earlier). Butter prices (wholesale, AA Chicago Mercantile) averaged within a penny of \$2.25 per pound from September throughout November. According to USDA's Economic Research Service (ERS) calculations, domestic butter use was up 1% from a year ago during September and October. November dairy product production data was not released as scheduled due to the government shutdown, but butter production in the latest reported month was down a fraction of percent from a year earlier. The decline in butter inventory during November hints at production falling short of a previous year by a wider margin than in October.

Similar, but more pronounced, trends are occurring in the milk powder market. Non-fat dry milk inventories at the end of October dropped to the lowest levels since March 2017, a decline of 20% from a year earlier. Inventories of non-fat dry milk during the last quarter of 2017 were record-large, surpassing year earlier volumes by about 50%. Even with this year's decline in milk powder storage, inventories will still be the second largest volume ever for the fourth quarter of the year; exceeding stocks in years prior to 2017 by at least 15-20%. To curtail stocks, non-fat dry milk prices have averaged below 90 cents per pound since September of last year. Low prices have discouraged production (down by at least 10% from a year ago in since July) and encouraged exports (on a pace to be up 20% from a year ago for 2018). Non-fat dry milk prices have approached 95 cents per pound in December, the highest values since June 2017.

## MISSING MARKET DATA AND REPORTS

The partial Federal government shutdown will tick off its second week Friday, January 4th. Several significant sources of market information are not available. USDA agencies such as ERS, NASS, WAOB, and FAS are closed and have not released reports or data as scheduled. USDA's AMS market news information is still being reported, which has not always been the case in past shutdowns. AMS employees are now deemed essential, so the agency can still collect and disseminate market price data and information.

Already in the two short weeks of shutdown, several NASS reports were not released as scheduled. Poultry Slaughter, Agricultural Prices, Broiler Hatchery, and Dairy Products are among the essential livestock reports that have not been released. FAS is scheduled to release November trade data on January 8th, and the next WASDE is scheduled for January 11, but that data, too, will not be available if the shutdown continues. The most extended government shutdown occurred in 1995 to 1996 and lasted three weeks. In the past, some data has been able to be recovered and released at a later date. However, in the cases where the data is done by survey, as with many of the USDA NASS reports, that data is usually not recoverable because the survey was not sent or collected.

Actual slaughter data has been among the most missed weekly market data. That data is compiled by NASS but is released by AMS. It provides valuable information on weights, production, and the number of head slaughtered. The next couple of weeks hold several vital reports that could affect the tone of the entire year. For example, the annual Cattle Inventory is scheduled to be published at the end of this month, that report provides one of only two point estimates in the size of the beef herd, and the number of replacements animals producers are holding. The monthly Cattle on Feed report also is at risk. Without that type of information, cattle markets will be flying blind.