

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

January 18, 2019

Production			Prices			
Week Ending 1/19/2019	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	620	613	Live Steer	125.00	123.71	122.89
FI Hog Slaughter (Thou Hd)	2508	2332	Dressed Steer	197.00	196.78	194.89
FI Sheep Slaughter (Thou Hd)	36	36	Choice Beef Cutout	212.36	213.70	205.89
Live Y. Chicken Sl. (Mil Hd)	165.9	165.3	USDA Hide/Offal	8.98	9.01	10.63
Slaughter Cattle Live Weight	1376	1377	OK City Fdr. Str. (6-7 Cwt.)	147.68	150.33	158.94
Slaughter Hog Live Weight	286	286	Iowa/S. Minn. Base Hog	51.98	51.00	69.75
Slaughter Lamb/Sheep Live Wt.	136	144	Natl. Net Hog Carcass	60.81	59.40	72.61
Beef Production (Mil Pounds)	515.1	506.5	Feeder Pigs (40 Lbs) (\$/Head)	69.81	71.59	84.99
Pork Production (Mil Pounds)	535.2	499.0	Pork Cutout	70.25	70.36	80.97
Lamb, Mutton Prod. (Mil Lbs.)	2.4	2.6	Lamb Cutout	336.18	330.00	325.45
Previous 6 Wk. Moving Avg.			Cheddar, 40 lb Block(\$/lb)	1.43	1.42	1.52
Total Beef (Mil Lbs)	486.1	486.5	Corn, Omaha (\$/Bu)	3.60	3.56	3.35
Total Pork (Mil Lbs)	516.9	499.9	Soybeans, Cntrl IL (\$/Bu)	8.72	8.72	9.60
Total Lamb, Mutton (Mil Lbs)	2.4	2.6				

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

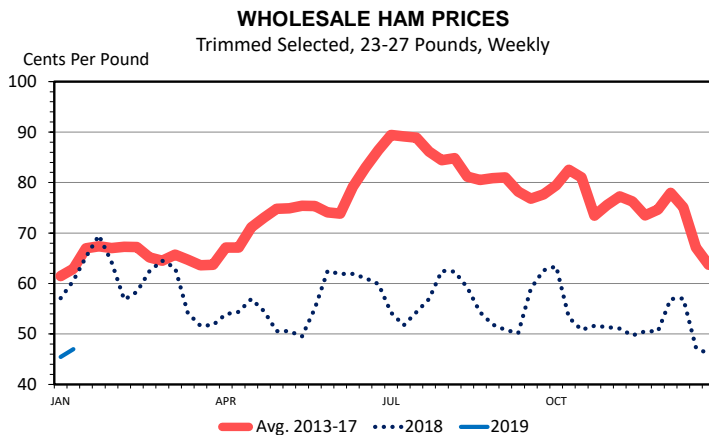
Trends . . . HAM VALUES STRUGGLE DUE TO LARGER SUPPLY AND TRADE ISSUES

Wholesale ham prices started out the year at 45 cents per pound, basis 23-27# Trimmed Selected Hams quoted by USDA's Agricultural Marketing Service (AMS). This is the lowest ham price for the first week of the year since 2009. The last time weekly ham prices were this low was early October 2016. Seasonally, ham prices usually move higher as January progresses, then tend to be about unchanged for the balance of the quarter. Last year was unusual as prices trended lower after late January.

Ham prices last week were 21% lower than a year ago. Double-digit percentage declines in ham prices year-over-year have been standard since May of last year. The biggest decline (in percentage terms) was in July with a 28% drop. Generally speaking, the declines in ham prices have been supportive of exports and expanded domestic use. Ham prices in 2016 and 2017 averaged 64-65 cents per pound for an annual average. That value allowed domestic ham consumption to increase by 1% per year, or stay steady on a per capita basis. Ham domestic disappearance in 2018 (through

October) was on pace to increase by another one percent, but prices averaged 56 cents (for the entire year, 57 cents for January-October), which is an unusually large price decline for the sake of only a small gain in consumption.

Annually, pork production increased by 10% from 2013 through 2017 with 2014 being the only year of decline due to Porcine Epidemic Diarrhea (PED). Ham production would be up by a similar amount based on stable yields of ham as a component of the hog carcass. Pork production data for the first eleven months of 2018 is up 3% from the same interval in 2017. The supply of hams available to the domestic market was only up 1.2% during



Data Source: USDA-AMS
Livestock Marketing Information Center

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the January-November interval. Exports and imports of hams into international trade have moderated the availability of hams in the domestic market.

Data on U.S. ham exports in 2018 is only available through last October, due to the partial government shutdown impact on Departments of Commerce and Agriculture operations. Ham exports during the first ten months of the year were up 10.5% from the same interval in 2017, on a volume basis. Ham exports were only slightly higher (+3.5%) in 2015 and 2016, but 2017 was up 13%. The biggest year-over-year increase in monthly ham exports during 2018 came in April (probably in anticipation of the retaliatory trade sanctions by Mexico), up 54% from the prior April. Since that time (May-Oct), hams shipped overseas have been up 6%. The negative impact of the retaliatory Mexican trade sanctions has been on the U.S. price of hams.

BRED COW VALUES FINISH 2018 DOWN FROM PRIOR YEAR

Bred cow prices at auctions during the last quarter of 2018 were down 10-20% from a year earlier in key cattle production regions. USDA's Agricultural Marketing Service (AMS) reported average prices in Georgia auctions for 1200-1300# cows bred 4-6 months earlier at \$912.30 per head in December versus an average price in December 2017 of \$1119.89, a 19% decline. The same comparison in Montana for mid-aged 1200-1300# bred cows showed a 6% price decline in December compared to a year earlier. Not surprisingly, Midwest auction cow price changes from late 2017 to late 2018 posted a drop between that of Montana and Georgia, as Saint Joseph, Missouri prices were down 15%.

Interest in purchasing breeding stock has been cautious relative to current spot and futures market pricing for calves and yearlings. Steer calf prices in Oklahoma City during December were only 4% lower than a year ago. Feeder cattle futures prices for delivery in November 2019 were 2% higher in December than one year earlier. In mid-January, the November feeder cattle contract closed at \$149.85 per cwt. versus \$144.93 a year earlier. The LMIC is projecting Southern Plains steer calf prices (500-to 600-pound steer) in 2019 to average \$167-\$174 per cwt., which compares to the 2018 calf price average of \$171.39. The forecast for yearlings (700-to 800-pound steer) is \$145-\$150 per cwt., providing a reference point for current futures market values. The yearling price for 2018 was \$150.

Average annual (2018) bred cow (or replacement cow, per the St. Joseph, MO auction market quote) prices reported by AMS dropped to the lowest levels in five years. In some markets, prices declined back to averages last seen in 2010. St. Joseph, MO is the case in point, where drought last summer in northern Missouri led to some forced liquidation of herds. At the time of those lower bred cow prices (2012-2013), the beef cow herd was shrinking at a 2%-3% annual rate and the number of beef heifers being retained for breeding purposes was 20% lower than in 2018.

CATTLE ON FEED PRE-REPORT ESTIMATES

The partial government shutdown has continued and is now holding the record for the longest in U.S. history. Monthly cattle on feed numbers were scheduled to be released by USDA's National Agricultural Statistics Service on January 25, 2019. That survey-based report would reflect December feedlot marketings and placements (lots with a capacity of 1,000 head or more). It is unlikely the NASS Cattle on Feed publication will be released even if the government opens next week. Those reports take time to survey, collect, compile and release and the backlog is mounting.

LMIC has decided to move forward with estimates of Cattle on Feed this month. These are our best estimates based on the available data. LMIC's prediction is that marketings have been slower relative to a year ago. This is one of the harder numbers to estimate this month, because of the lack of data. Actual weekly slaughter has not been released since December 8, 2018, and so this estimate relies on estimated daily slaughter. While the estimated slaughter data is better than no data, there is a large difference in precision. Estimated daily slaughter for steers and heifers are rounded to the nearest 1000 head, while actual slaughter is down to the number of head. Over the course of entire month, estimated versus actual can vary. With that being said LMIC estimates marketings are 99.5% of a year ago.

Placements are expected to be slightly larger than a year ago. Feeder cattle imports from Mexico and Canada were about 25,000 head higher year-over-year. Auction receipts showed strong volumes relative to a year ago, both pointing to more placements. The headwind to placements has been extremely muddy conditions in feedlots, especially in Kansas and Nebraska. LMIC estimates that placements during December were 100.6% of a year ago. This would be the highest December placement number since 2010, and would put the number of cattle on-feed as of January 1st at to 102.1% of a year ago.