

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

February 1, 2019

Production			Prices			
Week Ending 2/2/2019	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	593	613	Live Steer	123.12	123.29	125.91
FI Hog Slaughter (Thou Hd)	2387	2433	Dressed Steer	198.59	197.22	199.90
FI Sheep Slaughter (Thou Hd)	36	35	Choice Beef Cutout	216.65	216.71	209.51
Live Y. Chicken Sl. (Mil Hd)	158.1	166.0	USDA Hide/Offal	8.96	8.95	10.39
Slaughter Cattle Live Weight	1375	1378	OK City Fdr. Str. (6-7 Cwt.)	144.77	146.66	161.56
Slaughter Hog Live Weight	286	286	Iowa/S. Minn. Base Hog	50.95	52.16	71.14
Slaughter Lamb/Sheep Live Wt.	136	144	Natl. Net Hog Carcass	59.72	60.76	73.71
Beef Production (Mil Pounds)	492.2	506.6	Feeder Pigs (40 Lbs) (\$/Head)	70.11	71.45	88.61
Pork Production (Mil Pounds)	509.3	520.6	Pork Cutout	67.84	68.82	82.31
Lamb, Mutton Prod. (Mil Lbs.)	2.4	2.5	Lamb Cutout	332.31	337.58	324.95
Previous 6 Wk. Moving Avg.			Cheddar, 40 lb Block(\$/lb)	1.43	1.43	1.53
Total Beef (Mil Lbs)	471.3	480.4	Corn, Omaha (\$/Bu)	3.64	3.60	3.44
Total Pork (Mil Lbs)	501.4	491.2	Soybeans, Cntrl IL (\$/Bu)	8.86	8.85	9.73
Total Lamb, Mutton (Mil Lbs)	2.3	2.5				

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

Trends . . . RIB & LOIN UNDERPIN HIGHER BOXED BEEF CUTOUT

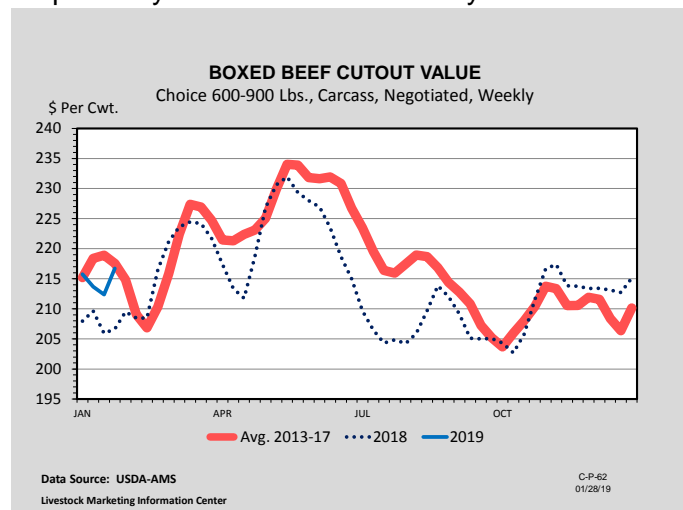
The comprehensive cutout is 3% ahead of a year ago in the month of January, averaging \$213.21 per cwt. The end of the holiday season should have brought about seasonally higher chuck and round primal values, but in the first four weeks of the year, chuck, round, and flank primal values have been the only cuts lagging.

Primal rib values are up 9% in January compared to the prior year. This is the 6th consecutive month the comprehensive primal rib value has been higher than the same month in the previous year. The gains have not been small either, the smallest gain was a 5% increase in August. Primal loin values also had positive 3rd and 4th quarters in 2018 and have maintained that strength heading into 2019. Primal loin values are up 4% year-over-year. This is the 6th month of gains ranging from up 2% to up 7%. These primals are the two highest valued of the beef carcass and combined represent about a third of the carcass yield.

Brisket and short plate primal values also had a strong start to 2019 and are up 10% and 14%, respectively in the month of January. Increases in the short plate were linked to higher export demand in 2018. January's positive increase could point to a bright start for 2019 export growth.

Flanks and rounds are down 2%, while chuck values are even with a year ago for the month of January. This lag in meat cuts that typically carry the quarter could actually be a positive sign of consumers staying with higher priced meat cuts after the holiday season.

Fed cattle futures rallied April and Feb contracts during the month of January. The trend in the cutout is providing some support for that. Strong beef demand in 2018 looks to be continuing into the early part of 2019, which will help cattle prices, but LMIC estimates prices will still be below a year ago in the first quarter.



CHICKEN INDUSTRY PROFITABILITY IMPROVES AS WINGS FLY HIGHER

The chicken industry has struggled with profitability since the second half of the summer quarter. Wholesale prices for wings and breast meat sank to the lowest values in years. Consumption did not keep up with increased production, leading to unprecedented large holdings of product in cold storage. Industry economics vary, depending on bird size, product form and distribution channels. The majority of production goes into deboned and further processed products and this is where problems have been most severe. Fresh, bone-in tray pack business for grocery stores and smaller birds aimed at rotisserie dinners, as well as cut up fast food felt a normal seasonal squeeze on demand during the late year holiday season. Negative economic returns were short-term in nature. Signs of a turnaround in product values in the further processing sector began to take hold in mid-December, however, and the rebound has been sustained into late January.

Wholesale chicken wing prices in mid-December averaged \$1.40 per pound, down from \$1.65 a year earlier. Prices have gone up every week since then, and for the week of January 26, wing prices averaged \$1.81 in the Northeast U.S. market quoted by USDA-Agriculture Marketing Service. The peak demand season for wings is the two weeks leading up to the Super Bowl, so the increase is not that surprising by itself, but the magnitude of the price increase is notable. Meanwhile, wholesale breast meat prices have moved from 85 cents per pound in early December to \$1.02 in the latest week in the Northeast U.S. market. The early December market was 17% lower than a year earlier, but the current value is only down 5% from a year ago.

The supply side of this market warrants some credit for pushing chicken prices higher. Disrupted processing schedules due to the timing of Christmas in the middle of the week and winter storms had an impact on December production. There was no week in December that registered an increase in production compared to the same week in 2017. Production in the last week in December was down 14% and the four weeks with Fridays during the month had production that came in 5% below a year earlier. Production in the latest four weeks is up 1.3% from a year ago, supported by bird harvest that is up 1.7%.

MILK OUTPUT PER COW GAINS STABILIZING

Milk cow productivity is showing signs of increasing at a slower pace than has been typical since the start of the new millennium. USDA-National Agriculture Statistical Service (NASS) has not released data on milk production for December yet, but after the first eleven months, the total for the year is on track to be up slightly more than 200 pounds per cow, or about 1%, from 2017. In 2017, milk cow output increased 166 pounds per animal. Since 2010 the annual average increase has been 271 pounds and since 2000, the annual increase has been 279 pounds. The modest increase in milk output in 2017 was a consequence of two consecutive years (2015 and 2016) of significant declines in milk prices with an increase in 2017 that recaptured only a minor portion of value lost in the prior years. The rebound in milk prices last year along with minimal increases in corn and soybean prices provides some of the rationale for milk cow productivity rebound in 2018.

Milk prices for 2018, referencing the USDA calculated price received by farmers, slipped about a \$1.50 per cwt. from the year before. Actual values for November and December are yet to be released by the USDA, delayed by the partial government shutdown. The annual price is expected to be slightly above \$16 per cwt., close to the average price in 2010 and probably the lowest price since 2009. The 2018 average price should temper advances in milk cow productivity in 2019, but not enough to result in declining output per cow. LMIC expects per cow milk output in 2019 to be up 160 pounds. The milk cow herd in November (latest available data) was down 38,000 head from a year earlier. LMIC is projecting the January-March milk cow herd to be 32,000 head less than a year earlier. Combined with a 0.7% increase in milk cow productivity, total milk production during the first quarter of 2019 is expected to be 200 million pounds higher, or 0.4% from the same quarter in 2018. The USDA reported milk price received by farmers for the quarter should average slightly above \$16 per cwt. which compares to a \$15.67 per cwt. price in the first three months of 2018. Class III milk prices (cheese market milk) have been weak compared to other grades of milk, and that should continue to the case, as large inventories of cheese in cold storage depress prices in the January-March quarter of 2019.