

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

March 8, 2019

Production			Prices			
Week Ending 3/9/2019	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	603	599	Live Steer	128.10	128.22	126.79
FI Hog Slaughter (Thou Hd)	2548	2410	Dressed Steer	204.96	205.07	203.88
FI Sheep Slaughter (Thou Hd)	37	41	Choice Beef Cutout	224.94	219.98	223.63
Live Y. Chicken Sl. (Mil Hd)	162.6	159.5	USDA Hide/Offal	9.00	8.98	10.24
Slaughter Cattle Live Weight	1354	1365	OK City Fdr. Str. (6-7 Cwt.)	151.91	153.06	164.93
Slaughter Hog Live Weight	287	287	Iowa/S. Minn. Base Hog	44.99	45.47	62.50
Slaughter Lamb/Sheep Live Wt.	137	148	Natl. Net Hog Carcass	56.38	56.02	68.60
Beef Production (Mil Pounds)	489.1	491.4	Feeder Pigs (40 Lbs) (\$/Head)	69.65	68.65	87.51
Pork Production (Mil Pounds)	547.0	516.7	Pork Cutout	63.57	60.77	75.73
Lamb, Mutton Prod. (Mil Lbs.)	2.5	3.0	Lamb Cutout	326.55	323.67	332.08
Previous 6 Wk. Moving Avg.			Cheddar, 40 lb Block(\$/lb)	1.57	1.52	1.55
Total Beef (Mil Lbs)	489.5	492.1	Corn, Omaha (\$/Bu)	3.55	3.58	3.68
Total Pork (Mil Lbs)	531.7	514.4	Soybeans, Cntrl IL (\$/Bu)	8.66	8.72	10.36
Total Lamb, Mutton (Mil Lbs)	2.5	2.8				

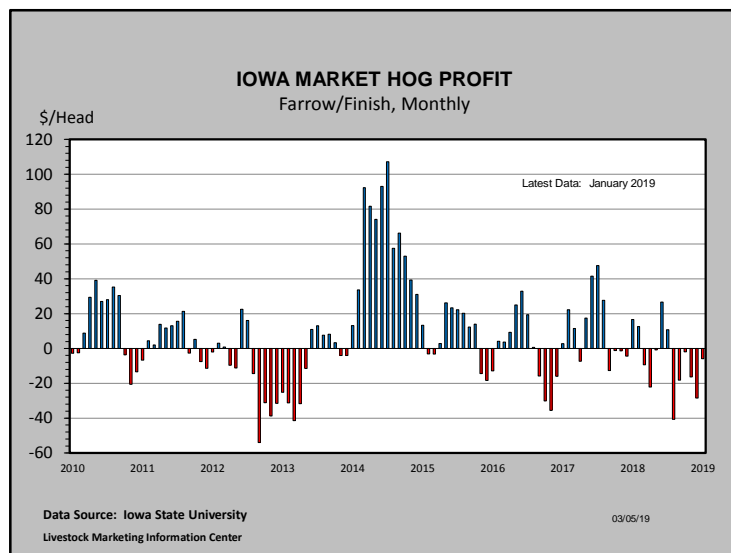
Source: Various USDA-AMS reports. Data are preliminary.

Trends . . . IOWA STATE HOG RETURNS NEGATIVE FOR SIXTH MONTH IN A ROW

Hog production profitability for farrow-to-finish operations in Iowa was negative for the sixth consecutive month in January, according to Iowa State University calculations. The January metric of financial returns was \$-5.87 per head, an improvement from \$-28.48 in December. The biggest loss over the last six months was last August at \$-40.71.

Across the last 12 months, farrow-to-finish profitability was positive in only three months. In the twelve months prior to that, profitability was positive in seven months and the magnitude of the positive return months far outweighed the months with negative returns. For the most recent twelve months, accumulated monthly returns were negative but still not enough to outweigh the same calculation 13-24 months back.

The current string of six consecutive months of negative returns is the longest since 2013. The sum of monthly returns for 2018 was negative; also the first time this has happened since 2013. This



raises the issue of if, or when, the hog industry will suspend the expansion in hog production that has been in place since 2013. In 2013, the breeding herd declined by 60,000 head (a 1% decline) during the twelve months ending on December 1, 2018. During the 2014-2018 interval, breeding herd inventories increased 1-3% per year. The December 1 breeding herd was up 2% from a year earlier and sow farrowing intentions for December 2018-February 2019 were pegged to be up 2%. Ditto that increase in farrowing intentions for March-May 2019.

The Hogs and Pigs Report from USDA-National Agricultural Statistical Service (NASS) scheduled on March 28th, will

include farrowing intentions for this summer (June-August). The impact of six months of unfavorable profitability would normally be expected to temper the enthusiasm to produce more hogs, but the structure of hog futures market prices could be an offset. During February, the June hog futures contract averaged a premium of \$17.71 per cwt. to the April contract price. Normally, this premium has averaged in \$8-\$10 range, with the prior high being \$13.61 in February 2015.

U.S. CATTLE, SHEEP, & GOAT INVENTORY

Cattle inventory had some substantial revisions to the beef cow herd numbers in 2018, revising the prior year's January 1 number by more than 250 thousand head. The January 1, 2019 figure would have been very similar to a year ago had that revision not taken place, but the final tally indicated beef cows were up 0.9%. The largest change was made to the calf crop in 2017, which last year was reported to be just over 35 million head. The 2019 estimate for 2017 was revised upwards by 1.9% to 35.8 million head. Revisions were also made to the 2018 calf crop decreasing that estimate by about 400 thousand head, and shrinking growth in the calf crop to a 1.8% year over year change in 2018. The revisions to the calf crop are large when compared to USDA NASS reliability table in the back of the report, indicated that the largest change to the calf crop between first and last estimates was just under 400 thousand head. The five year census revisions will likely further adjust years prior to 2017.

Total goat and kid inventory showed very small changes both in terms of revisions and compared to the last year. Breeding goats were down 1 percent and showed revisions to last year's estimates. Breeding goat numbers in 2018 were revised 15 thousand head, primarily with changes to doe inventory. Some of the largest changes to goat inventory were on a by state basis. Revisions to milk goat figures in the states of Georgia, Idaho, Illinois, and Wisconsin caught our eye. Georgia's milking goat herd jumped to 8500 head, up 400 head from a revised 2017 number that nearly doubled its original estimate. Similarly Idaho increased from 4200 head in 2016 to 8000 in 2018 and were reported as 7000 head in 2019. Illinois inventories moved from 6000 head in 2016 to 10 and 11 thousand head in 2018 and 2019. Wisconsin gained 23 thousand head in revisions in 2018 when compared to the previous year and 2019 was listed as 72 thousand head. Census revisions should also revise years earlier to provide insight to how those numbers ramped up.

Sheep and lamb inventory recorded a 1% decline, led by declines in breeding sheep, down 1%. Market sheep were up slightly about 10 thousand head ahead of last year. Census revisions for all three species are scheduled for May 9, 2019.

U.S. 2018 LIVESTOCK & POULTRY EXPORTS

December trade data was released on a carcass weight basis by USDA ERS on March 7, wrapping up a positive year for livestock and poultry exports. Beef exports, unsurprisingly led the way up 10.3% on the year, after finding huge success throughout the year. Over the last 12 months beef exports had 6 months in 2018 with double digit gains, and 10 months of gains over 5%. The U.S. shipped 296 million more pounds worldwide, and 165 million more pounds to South Korea, representing about 56% of the growth in the year over year change.

Pork and Broiler export growth was similar up over 4% each from the previous year. Pork exports totaled 239 million pounds higher than 2017, and reaching a new record high for the second year in a row. The top three destinations for U.S. pork in 2017, all saw declines in 2018, notably North American trade partners (Mexico & Canada) as well Japan. The hero, as was with beef, was South Korea, which bought 202 million more pounds of pork, a 38% increase from 2017.

Broiler exports increased 277 million pounds on the year, which is somewhat surprising given the nature at which some countries jumped in and out of buying U.S. chicken. Angola and Mexico were some of the bright spots of the year, accounting for 67% of the increase in total broiler exports.

Lamb and turkey exports were both down in 2018. Lamb exports only consistent destination is Mexico, which slowed purchases by 14% and represented 100% of carcass weight lamb exports. Turkey exports struggled most of the year. Severe declines of 10% or more through the summer months impacted the annual number. Seven out of 12 months of 2018 showed year-over-year declines, driven by widespread decreases through all U.S. turkey export channels. Mexico, the largest market for U.S. turkey exports declined half a percent or 2 million pounds.

U.S. beef and pork exports both had great years in the 2018, but were primarily driven by a single country's large increase in growth. Next year, the same supply pressure faces U.S. producers, and the question is can we count on such large increases in the export market again. LMIC forecasts exports will again grow for both sectors but that growth rate is likely to moderate.