

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

May 10, 2019

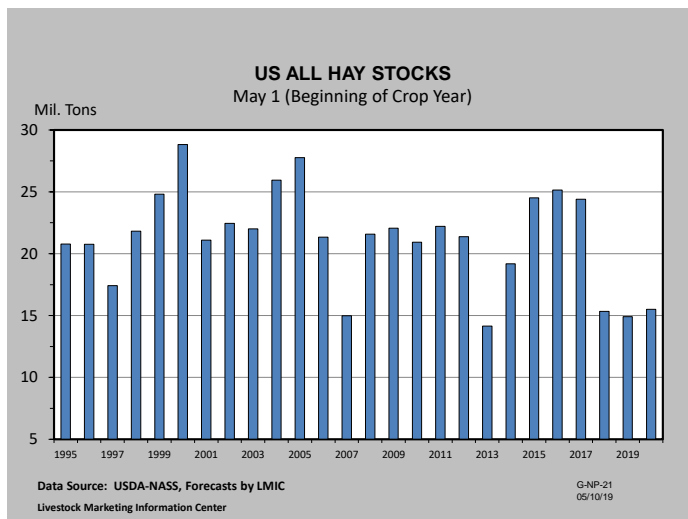
Production			Prices			
Week Ending 5/11/2019	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	664	655	Live Steer	120.40	123.76	121.65
FI Hog Slaughter (Thou Hd)	2341	2306	Dressed Steer	192.42	198.92	191.99
FI Sheep Slaughter (Thou Hd)	37	39	Choice Beef Cutout	223.49	230.27	230.61
Live Y. Chicken Sl. (Mil Hd)	164.1	160.7	USDA Hide/Offal	8.47	8.59	9.85
Slaughter Cattle Live Weight	1329	1319	OK City Fdr. Str. (6-7 Cwt.)	160.88	161.11	164.06
Slaughter Hog Live Weight	287	286	Iowa/S. Minn. Base Hog	80.67	81.67	60.97
Slaughter Lamb/Sheep Live Wt.	131	136	Natl. Net Hog Carcass	82.36	82.57	66.92
Beef Production (Mil Pounds)	531.8	521.9	Feeder Pigs (40 Lbs) (\$/Head)	89.74	90.54	61.98
Pork Production (Mil Pounds)	502.5	492.6	Pork Cutout	85.30	83.03	72.19
Lamb, Mutton Prod. (Mil Lbs.)	2.4	2.7	Lamb Cutout	337.39	341.70	331.64
Previous 6 Wk. Moving Avg.			Cheddar, 40 lb Block(\$/lb)	1.69	1.69	1.64
Total Beef (Mil Lbs)	518.6	506.2	Corn, Omaha (\$/Bu)	3.50	3.67	3.78
Total Pork (Mil Lbs)	511.9	503.9	Soybeans, Cntrl IL (\$/Bu)	7.83	8.13	10.02
Total Lamb, Mutton (Mil Lbs)	2.9	2.7				

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

Trends . . . U.S. MAY 1 HAY STOCKS DECLINE FOR 4th YEAR

High prices rationed hay disappearance between December 1 to May 1 to the lowest level since 2013/14 at 64 million tons. However, that still was not enough to prevent a year-over-year drop in the year ending hay inventory. As of May 1, total all hay inventories fell to their lowest level since 2014, and the second lowest on record (records date back to 1960). USDA-NASS reported in the May Crop Production report May 1 Hay stocks to be 14.91 million tons, down 3% from the prior year.

Seventeen states saw declines in hay stocks of more than 25%. Last year, May 1 stocks had widespread declines as well, with 26 states having declines greater than 25%. Several states are experiencing the cumulative effects of two consecutive years of tighter inventories, with a handful reaching the lowest levels in the past decade. Using the 10-year yield average of 2.4 tons per acre, the total U.S. supply this marketing-year (May 2019 – April 2020) is



expected to increase 3% to 4%. All hay prices, even with that increase, are still expected to be above a year ago.

The Southern Plains remains a key other hay production area that is increasingly making price waves. Texas and Oklahoma inventories are down more than 50% from two years ago. Surrounding states such as Louisiana, Arkansas, Kansas, and Missouri are also in tight inventory situations. Hay stocks are down more than 50% from 2017 in those states as well. LMIC is currently forecasting other hay national prices to be 5% higher this marketing year.

High producing alfalfa states are only on slightly better ground. California showed a strong increase this year in inventory but was still nearly 20% below 2017's. Idaho, the second highest alfalfa producing state in 2017 showed inventories 39% smaller. National alfalfa prices are expected to be similar to last year's.

STRONG SPRING RALLY IN SLAUGHTER LAMB PRICES

Year-over-year declines in the number of lambs on-feed and quickly eroding frozen stocks of lamb have together translated into a strong spring seasonal increase in slaughter animal prices. In early May, the national weekly formula price of slaughter lambs was more than 7% above a year ago. If recent trends continue, the spring market rally will be much bigger than last year's.

USDA's Agricultural Marketing Service (AMS) conducts a monthly count of Colorado's lambs on feed (the largest lamb feeding state). As of May 1, that survey showed dramatically fewer lambs in feedlots than a year ago (down about 49,900 head or -33%). That was the smallest May 1st number since 2017's and was the second lowest since 2010.

As of the end of March, NASS reported that frozen stocks in the U.S. of lamb and mutton were above a year ago (up 8.6%). However, the drop since the end of January was significant, falling by 19.0%. If the recent trend continues, frozen stocks at the end of April will be below a year earlier and could be at the lowest tonnage since 2013's.

U.S. imports of lamb and mutton are forecast to decline year-over-year, although tonnage was above 2018's for the first quarter (lamb increased 26%, and mutton declined 47%). Two factors are behind those expectations. First, even if drought in Australia persists, substantial flock liquidation in that country has already occurred which is likely to dampen their exports of lamb and especially mutton. Second, demand for Australian lamb and mutton by China has been increasing is expected to get an additional boost from African Swine Fever dramatically reducing Chinese pork production.

In 2017, the national formula slaughter lamb price for the summer quarter (July-September) averaged \$327.03 per cwt. In 2018, that price was \$281.87. This summer quarter that price is forecast to be above 2018's but below 2017's, averaging 4% to 7% stronger year-over-year.

CHICKEN INDUSTRY FORTUNES IMPROVE SUPPORTING EXPANSION

Chicken prices at the wholesale level have posted an impressive, if not astounding rally since late last year. The breast meat price quote in the Northeast by AMS during December was 88.72 cents per pound, up slightly from the lowest monthly average price in modern times of 85.30 cents. For the last month, breast meat prices have been holding close to \$1.30 per pound. Similarly, wing prices ended last year around \$1.45, but have crested the \$2.00 mark on occasion during April and have been holding above \$1.90 without a struggle. Leg quarters (leg, thigh, and back combo) prices averaged below 30 cents per pound from November of last year to last January. Since mid-March, leg quarter prices have been in the low 40's. All of that translates into a favorable profit margin situation since February, an extreme turnaround from the situation of negative margins that existed from around Labor Day of last year into the first few weeks of 2019.

Chicken production was about unchanged during the first quarter of this year compared to a year ago, a consequence of hatchery output in the last quarter of 2018 that was down half a percent in response to economic losses during the second half of 2018. Hatchery output during the first three months of this year was up 1% from a year earlier, a notable turnaround. The magnitude of the bounce in chicken prices was not expected at the start of the year, and accordingly, the degree of recovery in hatchery output was not anticipated to be as quick. At the start of the year, LMIC had expected chicken production this year to be up 1% from 2018's. In light of the recovery in chicken industry profitability, it would be prudent to expect that increase to be close to 2%.

The forces responsible for the turnaround in the chicken market outlook can probably be tied to the beef and pork markets, and to the implications that flow from African Swine Flu in China. Also, a change in Chinese import policy relative to U.S. chicken that was put in place several years ago following an outbreak of Avian Influenza in the U.S. is a basic assumption. The behavior of leg quarters prices could in part be a precursor of a formalized announcement of that policy change. U.S. chicken exports are expected to set a new high this year.