Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . . September 18, 2020

Production

Week Ending 9/19/2020	Last	Year Ago
FI Cattle Slaughter (Thou Hd)	645	661
FI Hog Slaughter (Thou Hd)	2587	2601
FI Sheep Slaughter (Thou Hd)	34	38
Live Y. Chicken Sl. (Mil Hd)	149.1	173.7
Slaughter Cattle Live Weight	1372	1359
Slaughter Hog Live Weight	282	282
Slaughter Lamb/Sheep Live Wt.	125	124
Beef Production (Mil Pounds)	540.1	543.9
Pork Production (Mil Pounds)	543.5	547.0
Lamb, Mutton Prod. (Mil Lbs.)	2.1	2.3
Previous 6 Wk. Moving Avg.		
Total Beef (Mil Lbs)	530.2	521.4
Total Pork (Mil Lbs)	533.3	520.7
Total Lamb, Mutton (Mil Lbs)	2.1	2.4

Prices

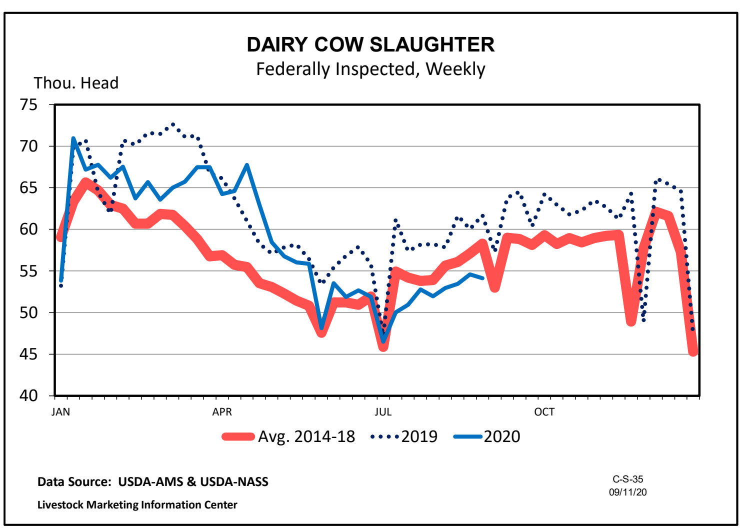
Weekly Average ($/Cwt)	Last	Week Ago	Year Ago
Live Steer	103.54	101.21	101.92
Dressed Steer	162.93	160.66	162.47
Choice Beef Cutout	215.87	222.12	218.75
USDA Hide/Offal	7.93	7.89	9.05
OK City Fdr. Str. (6-7 Cwt.)	145.62	NQ	146.16
Natl. Negotiated Purchase	60.87	50.84	44.75
Natl. Net Hog Carcass	67.70	64.25	61.96
Feeder Pigs (40 Lbs) ($/Head)	34.57	33.06	39.71
Pork Cutout	84.33	80.79	68.63
Lamb Cutout	362.56	366.63	344.58
Cheddar, 40 lb Block($/lb)	1.83	1.81	1.94
Corn, Omaha ($/Bu)	3.61	3.54	3.75
Soybeans, Cntrl IL ($/Bu)	10.29	9.84	8.66

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

Trends. . . MILK COW INVENTORY STABLE

The monthly milk production report was released this week with revisions to the U.S. cow herd up 8 thousand head from the previous estimate in July. August came in even with the previous month at 9.360 million dairy cows in the U.S. These numbers are somewhat surprising given the large reduction in dairy cow slaughter. The last 13 weeks dairy cow slaughter has been between 4-18% below a year ago. Year to date dairy cow slaughter is behind by about 100 thousand head, or down 5% from 2019. This change is equivalent to about 1% of the national herd and could be pointing toward a slower herd turnover rate.

Herd turnover rates on an annual basis have moved around over the years and can vary widely. Using the annual federally inspected dairy cows slaughter figure compared to the Jan 1 number of the following year as a proxy provides a rough estimate of the direction the herd turnover rate is moving. Example: 1986 annual dairy cow slaughter/ 1987 Jan 1 Dairy Cow Inventory. It does not account for death loss, commercial or farm use slaughter.



In the 1980s and early 1990s, the ratio above was between 28%-34%. In 1998, the U.S. introduced formula based milk price, and the ratio between annual slaughter and inventory was under 30% for 10 of 11 years between 1998 and 2008. The great recession in 2009 which triggered the great dairy recession saw this ratio climb to over 30%. Margins in the dairy industry compressed significantly with the rise in feed costs and extreme volatility in milk prices. Dairy producers increased herd turnover rates to favor faster genetic gains and higher milk yields. Annual dairy cow slaughter has been 34% or more four times since 2009, and last year the ratio reached its highest level since 1986, calculating at 35%.

Extrapolating the current pace of federally inspected dairy cow slaughter year to date (-5%) to the end of the year and using the current milk inventory reported in monthly milk production of 9.360 million head, it would calculate to 34%. LMIC expectations are for the U.S. milk cow herd to remain relatively stable, between now and the end of the year.

AFRICAN SWINE FEVER DETECTED IN GERMANY

On September 10, 2020 Germany confirmed a case of African Swine Fever (ASF) in a wild boar along its border with Poland. Less than a week later the number of confirmed cases has reached seven, all in wild boars, but no cases have been detected in domestic hogs. Once news of the ASF case broke, major pork importing countries of China, South Korea, and Japan responded by suspending imports of pork and live pigs from Germany. According to the World Organization for Animal Health (OIE), ASF must be reported due to its ability to spread rapidly in pig populations. There is no vaccine currently available.

Cases of ASF in western Poland were increasing and Germany had been preparing for such an event, but the full extent of the situation is still largely playing out. Germany has been advocating for regionalization as opposed to a full country ban, so that supplies in non-affected regions within the country could still export pork. Regionalization would limit economic impacts and keep trade flows intact. So far, China, Japan, South Korea, and other countries have not indicated they will accept regionalization measures. According to Germany, internal trade flows within the EU will continue due to regionalization protocols.

Through July, Germany was the number three pork supplier to China behind the U.S. and Spain. The Chinese placing a full ban on German pork shipments is a crucial blow to their pork sector. For China, suspending German pork imports will limit their ability to acquire available global pork supplies amidst their own shortage of pork due to ASF. Although the ASF in Germany is unfortunate, there is potential for increased shipments of U.S. pork to China in the near term. Before the positive ASF case in Germany, China was increasing its purchases of U.S. pork. Through the first seven months of this year, U.S. exports to China have seen nearly a four-fold increase from last year. LMIC is expecting fourth quarter pork exports to increase 9.6% over 2019.

FOURTH QUARTER DEMAND FOR BEEF

Last year, the Holcomb, KS fire set up the perfect storm for beef wholesale cut prices to rise, with a shorter supply and a robust economy. Ribeyes, chucks, rounds, and tenderloins all saw notable price increases last year. The LMIC retail all fresh beef demand index (base year 2000) saw a strong increase in beef demand, registering 117 and the highest fourth quarter since the base year. The second largest fourth quarter was in 2004.

The supply situation for beef is still unfolding. Dressed weights have not followed the normal seasonal pattern through the summer but look to be closing the gap between last year and 2020. In the latest week of data, steer dressed weights are only 25 pounds heavier than a year ago. This is a significant decrease compared to summer increases of 40 pounds or more in June. Slaughter levels in August were below a year ago, but the last two weeks of actual slaughter data has picked up. Daily average slaughter in August was higher. LMIC expects fourth quarter beef production to be above a year ago, but cattle flows will be contending with the much smaller placements from March and April in this timeframe.

On the demand side, the economy is in a worse place than it was a year ago and that will likely factor into consumer beef purchasing decisions. Corporate holiday parties and other holiday gatherings had been a boost to beef demand in recent years and the frequency of those events will likely decrease significantly in 2020. Retail featuring high-end meat cuts is expected this holiday season as the Restaurant Expectation and Performance Index remains in contraction territory and those cuts have struggled to move quantities. But, it seems unlikely the retail all fresh beef demand index will take out the record set in 2019. First and second quarter indexes have been above a year ago in 2020, but none were record highs. Third quarter data is still pending.