

## **In The Cattle Markets**

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### **Avian Influenza Picks Up Steam**

Avian Influenza (AI) has been percolating relatively quietly in the poultry industry for most of the year. In early March, the first case of the highly-pathogenic H5N2 strain of AI in the Mississippi flyway was confirmed by USDA Animal and Plant Health Inspection Service (APHIS) on a commercial turkey operation in Minnesota. Since that time, additional cases have been confirmed in nine states. Almost all of these have been on turkey farms. Of the 48 AI confirmations since early March, 43 have been in commercial turkey facilities, 2 have been commercial chicken facilities, and 3 have been in backyard mixed poultry facilities.

It is important to note at the outset that H5N2 AI is not primarily a human health concern. To date, no human infections have been detected with this virus. Although, various AI strains have been known to spread from birds to human, APHIS notes that “CDC [Centers for Disease Control] considers the risk to people from these HPAI H5 infections in wild birds, backyard flocks and commercial poultry, to be low.” So for now, AI is of interest for the impacts that it might have on poultry and livestock markets, not on human health.

This week, the potential for market impacts from AI was brought home with the discovery of the disease in a large commercial layer facility in Osceola County, Iowa: one of the two cases of AI this year involving commercial chicken operations (the other also being a layer operation). This is by far the biggest AI event so far this year, affecting 3.8 million birds according to APHIS reports. Prior to this week, the largest event had been a positive test on a turkey facility in Meeker County, Minnesota affecting 310,000 birds. In addition to the large size of the flock affected in this week’s event, it is notable that the pace of AI confirmations has also picked up. Year-to-date, there have been 57 H5N2 confirmations. Forty-one of those have occurred in April alone. In fact, there were five confirmations on Monday alone (the one on the Iowa layer farm along with three more turkey farms in Minnesota and one more turkey farm in South Dakota).

In terms of aggregate numbers of birds affected, so far this year, AI confirmations have affected 2.8 million turkeys and 4 million layers. These are not small numbers. Last year’s total turkey slaughter amounted to 236.6 million head. The losses so far this year amount to about 1.2 percent of that total. Considering that these losses have occurred over just the first four months of the year, the impact on production is substantial. Price effects have not been too dramatic so far. Through last week, whole turkey wholesale prices were up by 4 to 8 percent since early-February, depending on size and class. This is actually less than the wholesale broiler composite is up over that same period.

Looking ahead, the big question is whether or not highly-pathogenic AI will impact the broiler industry. So far, broilers have not been impacted significantly. The two commercial

chicken operations to have confirmed AI cases have both been layer operations. Of course, there are substantial numbers of broiler facilities along the Mississippi flyway, mostly in Mississippi, Arkansas, and Missouri. As the migration season winds down, the likelihood of a full-blow outbreak in the broiler sector should be diminishing, but the possibility remains a real source of uncertainty for the livestock sector this year.

## The Markets

Last week, cash fed cattle lost some ground. The 5-Area weighted average steer price worked out to \$161.65, down from \$164.34 the prior week. Wholesale beef prices were a bit mixed. For the week last week, the Choice cutout averaged \$259.02 – up \$1.52 from the prior week. On the other hand, the Select cutout averaged \$250.35 – down \$0.89. According to the *National Feeder & Stocker Cattle Summary* report, last week’s feeder and stocker cattle prices were steady to \$5 lower in comparison with the prior week. After a down day last Monday, corn futures moved higher most of the week, with the nearby contract closing out the week at \$3.79 <sup>3</sup>/<sub>4</sub>. Reporting of corn planting progress in the weekly *Crop Progress* report has begun. Of course, it is early so the numbers aren’t all that interesting yet. For what it is worth, through last weekend, corn planting was 9 percent complete nationally compared to a five-year average of 13 percent.

|  |                                    | Week of  | Week of  | Week of  |
|--|------------------------------------|----------|----------|----------|
|  |                                    | 4/17/15  | 4/10/15  | 4/18/14  |
| <i>Data Source: USDA-AMS Market News</i> |                                    |          |          |          |
| <b>5-Area Fed Steer</b>                  | all grades, live weight, \$/cwt    | \$161.65 | \$164.34 | \$146.93 |
|  | all grades, dressed weight, \$/cwt | \$256.77 | \$261.56 | \$234.63 |
| <b>Boxed Beef</b>                        | Choice Price, 600-900 lb., \$/cwt  | \$259.02 | \$257.50 | \$224.27 |
|  | Choice-Select Spread, \$/cwt       | \$8.67   | \$6.26   | \$10.21  |
| <b>700-800 lb. Feeder Steer</b>          | Montana 3-market average, \$/cwt   | \$222.88 | \$223.13 | --       |
|  | Nebraska 7-market average, \$/cwt  | \$230.78 | \$225.62 | \$187.31 |
|  | Oklahoma 8-market average, \$/cwt  | \$220.42 | \$219.87 | \$178.27 |
| <b>500-600 lb. Feeder Steer</b>          | Montana 3-market average, \$/cwt   | \$283.05 | \$276.12 | --       |
|  | Nebraska 7-market average, \$/cwt  | \$287.43 | \$287.66 | \$217.93 |
|  | Oklahoma 8-market average, \$/cwt  | \$277.67 | \$283.05 | \$214.40 |
| <b>Feed Grains</b>                       | Corn, Omaha, NE, \$/bu (Thursday)  | \$3.73   | \$3.73   | \$4.86   |
|  | DDGS Price, Nebraska, \$/ton       | \$176.65 | \$177.25 | \$238.00 |