

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

June 9, 2017

Production			Prices			
Week Ending 6/10/2017	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	622	594	Live Steer	135.14	136.27	127.52
FI Hog Slaughter (Thou Hd)	2192	2090	Dressed Steer	219.34	216.00	205.64
FI Sheep Slaughter (Thou Hd)	35	40	Choice Beef Cutout	250.22	245.44	225.60
Live Y. Chicken Sl. (Mil Hd)	151.1	144.9	USDA Hide/Offal	11.71	11.53	11.33
			GA Auction Fdr. Str. (6-7 Cwt.)	147.12	144.18	135.14
Slaughter Cattle Live Weight	1309	1337	Iowa/S. Minn. Base Hog	76.75	73.97	78.24
Slaughter Hog Live Weight	282	283	Natl. Net Hog Carcass	79.37	77.59	79.89
Slaughter Lamb/Sheep Live Wt.	134	138	Feeder Pigs (40 Lbs) (\$/Head)	53.13	52.06	65.80
Beef Production (Mil Pounds)	489.9	481.8	Pork Cutout	91.50	90.99	87.14
Pork Production (Mil Pounds)	461.2	443.1	Lamb Cutout	376.46	377.45	309.66
Lamb, Mutton Prod. (Mil Lbs.)	2.3	2.8	Corn, Omaha (\$/Bu)	3.59	3.44	3.99
<b>Previous 6 Wk. Moving Avg.</b>			Wheat, Portland (\$/Bu)	4.78	4.80	5.54
Total Beef (Mil Lbs)	477.6	470.0	Wheat, Kansas City (\$/Bu)	4.16	3.98	4.49
Total Pork (Mil Lbs)	462.4	448.7	Soybeans, Cntrl IL (\$/Bu)	9.39	9.06	11.62
Total Lamb, Mutton (Mil Lbs)	2.2	2.8				

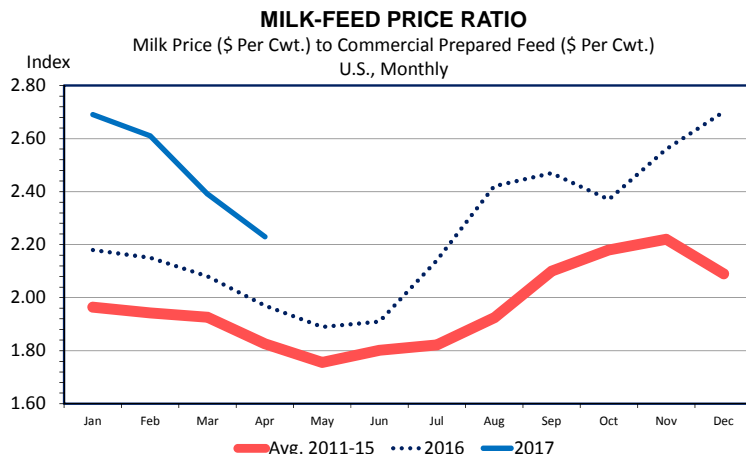
*Source: Various USDA-AMS reports. Some data are preliminary.*

## Trends . . . U.S. DAIRY COW HERD CREEPS HIGHER

USDA-NASS (National Agricultural Statistics Service) estimated that the U.S. milk cow herd increased by 8,000 head in April from the prior month. That was up 69,000 head from twelve months earlier, or slightly less than a 1% gain. Of the 23 leading dairy states, no state reported a decline in cow numbers from March. Texas dairy cow numbers went up the most month-over-month, increasing by 3,000 head. During March, dairies added 17,000 cows, the biggest increase since a similar jump three years ago and the 19,000 head increase in January 2011. The slowdown in the rate of the herd increase during April was a modest surprise, but milk prices since mid-winter have declined sharply.

The All Milk Average Price at the farm reported by USDA-NASS in their monthly Agricultural Prices report dropped to \$16.50 per cwt. in April, down from \$18.90 in January. The included graphic shows the decline in the Milk-Feed price ratio, which gives perspective to the general producer profitability erosion during recent months. An increasing Milk-Feed price ratio in the second half of 2016 provided a foundation for dairy herd population trends so far this year.

Dairy product demand has been disappointing so far this year (probably a bit worse than the first quarter of last year). Fluid milk product sales, in volume terms, during the first quarter were down 2% from 2016's. Domestic butter disappearance was down 10% and cheese usage slipped 1% year-over-year. The Leap Year effect is at play here, but when production this year is up with one less day, the effect on price was predictably lower.



Data Source: USDA-NASS  
Livestock Marketing Information Center

U.S. milk production in April was up 2.0% from a year earlier, a bit above the 1.8% increase during March. Milk cow productivity continued to post year-over-year gains with April 2017 output per cow up 24 pounds from a year earlier. In March, per cow output was up 23 pounds year-over-year.

Geographical shifts in the dairy industry are playing a role in the milk cow productivity trend. Average milk cow output nationally in April was 1,949 pounds. States with the most growth in the number of milk cows in recent months also have posted higher output per cow. Texas per cow milk output was 2,010 pounds in April. New Mexico and Colorado, states which also had slight increases in dairy cows during April, produced 2,150 and 2,165 pounds per cow, respectively.

## GROCERY STORE SALES GROWTH TOPS RESTAURANT AND FOODSERVICE

U.S. food sector retail sales in April increased 2.7% from a year ago, but that was down from a 3.9% year-over-year gain for March. Retail sales across the entire economy for April were up 3.1%. Food sector sales growth has run below trends for the economy since last October, mostly due to a plateau in foodservice and restaurant sales. In April, food service, restaurant and drinking place sales were up 2.2% from the prior April. Grocery store sales were up 3.3%. This was the first time that grocery store sales growth outpaced that of foodservice, restaurant, and drinking places since April 2014.

Food price indices compiled by USDA-ERS (Economic Research Service) supports the shift in consumer spending from away-from-home meals to at-home meals. Grocery store prices from April 2016 to April 2017 were down 0.8% while away-from-home prices were up 2.3%. Beef was a leading component bringing down the price of food in grocery stores, declining 4.2% over the last year. Egg prices showed the biggest decline, down 15.8%.

The Restaurant Performance Index (RPI), a survey from the National Restaurant Association membership, echoed the trend in retail sales from the U.S. Census Bureau during April. Current situation sentiment measured by in the RPI declined 2.3% from March to April. Same store sales were the biggest contributors to the decline, falling 3.9%. The segment of the survey dealing with expectations for future business was not so downbeat, but was still guarded. The overall expectations index declined 0.7% in April. Same store sales expectations were down 0.5%. Looking forward, the biggest bugaboo for restaurateurs is labor and staffing.

## CATTLE FEEDING RETURNS SURGE

The LMIC has been estimating monthly cattle feeding returns for commercial Southern Plains feeding since the mid 1970's. There can be lots of debate/discussion of the calculation assumptions made in estimating returns (LMIC's are not based on surveys of producers). LMIC's were developed to facilitate market analysis and the assumptions are rather fixed, for example the animal being fed-out is always a 750-pound steer. Monthly average cash market steer prices reported by USDA-AMS (Agricultural Marketing Service, Market News Division) are used. Results provide a barometer (e.g. year-over-year direction of change) of returns above all economic production costs.

Estimated returns surged for cattle sold during the first five months of 2017. After posting record large losses in 2015 and continuing to gushing red ink during most of 2016, January through May of this year were the best consecutive five months ever. The prior five month record high was set in late 2003. Profitability has been due to modest feedstuff costs, large year-over-year drops in feeder cattle prices, and strong fed cattle prices.

On a monthly basis, fed cattle sold in May had the second highest profit level ever in the LMIC calculations, barely behind October 2003's. May's return was over \$270.00 per steer above a year ago. For the month of May, in percentage terms compared to a year ago, closeouts margins were increased by a 6% drop in feedstuff cost, 15% decline in feeder steer cost, and a 6% increase in slaughter steer sales price per cwt.

Cattle feeding profitability has allowed producers to aggressively buy feeder animals. The result has been higher feeder cattle prices and more steers and heifers placed on-feed than a year ago. Stronger feeder steer prices have raised breakeven sale prices for cattle feeders. Steers put on-feed in May had breakeven sale prices at well over \$120.00 per cwt., the highest in 10 months. Monthly Cattle on Feed reports from USDA-NASS show the number of cattle placed into feedlots during the first four months of 2017 was the largest for that timeframe since 2000.