

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

June 30, 2017

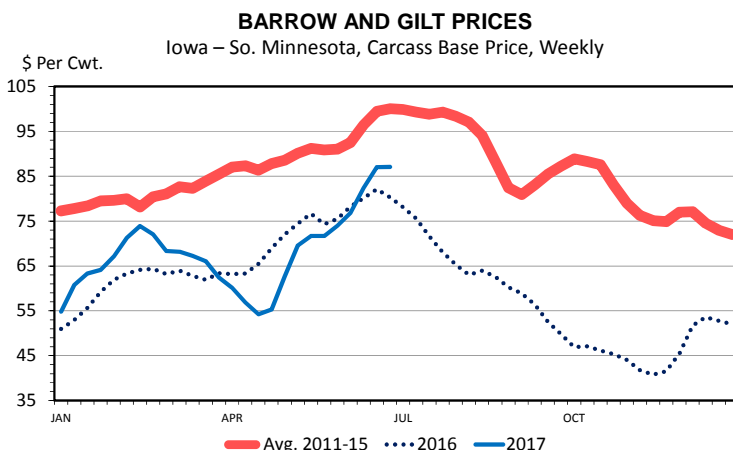
Production			Prices			
<b>Week Ending 7/1/2017</b>	Last	Year Ago	<b>Weekly Average (\$/Cwt)</b>	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	638	606	Live Steer	118.65	121.50	122.50
FI Hog Slaughter (Thou Hd)	2192	2119	Dressed Steer	189.95	193.80	195.53
FI Sheep Slaughter (Thou Hd)	36	40	Choice Beef Cutout	230.64	244.90	208.88
Live Y. Chicken Sl. (Mil Hd)	163.9	165.6	USDA Hide/Offal	11.86	11.76	11.41
			GA Auction Fdr. Str. (6-7 Cwt.)	137.35	137.26	128.14
Slaughter Cattle Live Weight	1320	1335	Iowa/S. Minn. Base Hog	87.07	86.99	80.29
Slaughter Hog Live Weight	281	278	Natl. Net Hog Carcass	89.60	87.35	84.02
Slaughter Lamb/Sheep Live Wt.	137	135	Feeder Pigs (40 Lbs) (\$/Head)	51.97	49.82	43.03
Beef Production (Mil Pounds)	508.5	491.5	Pork Cutout	102.49	99.44	89.19
Pork Production (Mil Pounds)	458.8	441.8	Lamb Cutout	385.85	382.17	300.78
Lamb, Mutton Prod. (Mil Lbs.)	2.4	2.7				
<b>Previous 6 Wk. Moving Avg.</b>			Corn, Omaha (\$/Bu)	3.32	3.32	3.29
Total Beef (Mil Lbs)	494.2	476.5	Wheat, Portland (\$/Bu)	5.31	4.95	4.90
Total Pork (Mil Lbs)	450.3	440.4	Wheat, Kansas City (\$/Bu)	4.91	4.44	3.67
Total Lamb, Mutton (Mil Lbs)	2.5	2.7	Soybeans, Cntrl IL (\$/Bu)	9.15	9.02	11.73

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

## Trends . . . U.S. PORK PRODUCTION CONTINUES RISING

Preliminary projections put June's Federally Inspected hog slaughter up about 3.0% from a year ago and record large for the month (the number of slaughter days was unchanged from 2016's). That slaughter level was slightly below what was estimated based on the March 1, 2017 Quarterly Hogs and Pigs report from USDA's National Agricultural Statistics Service (NASS). Average hog carcass weights were lighter than a year ago by about two pounds per carcass for the month of June. Moving to the second quarter in total (April-June), LMIC estimates U.S. pork production increased 3% year-over-year. Importantly, that increase in production did not need to be consumed in the U.S. marketplace because exports were robust (using LMIC forecasts for May and June). In fact, calculated per capita disappearance in the second quarter was below 2016's by nearly 1%.

Slaughter hog prices rallied strongly in May and June. For the first time since the end of March, weekly slaughter hog prices climbed above a year ago in mid-June. Prices remained above a year ago for the last three weeks of June.



Data Source: USDA-AMS, Compiled by LMIC

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The latest NASS Quarterly Hogs and Pigs Report (released Thursday June 29<sup>th</sup>) provided very important data as we look ahead in terms of U.S. pork production. Based on the report, U.S. pork production will continue to post year-over-year increases for at least several more quarters.

NASS made only slight revisions to numbers released in prior reports. The average of the pre-report estimates put the national total inventory of hogs and pigs at about 7.50 million head as of June 1st, the

report came in at 7.65 million. In percentage terms, year-over-year as of June 1st, the all hogs and pigs count increased 3.4%, animals kept for breeding purposes was up 1.5%, and market hogs rose 3.6% to 65.58 million head. Productivity, as measured by pigs weaned per litter, continued its recent trend of year-over-year increases (up 1.1%).

As in recent quarters, NASS has estimated from their producer surveys that farrowing intentions for the next two quarters will see a moderating growth rate. However, those statistics have been rather consistently revised higher in subsequent quarters. In the latest report, intended farrowing's for both the June-August and September-November production quarters were only slightly above 2016's (up less than 1%). Still, more pigs per litter means increased slaughter levels.

The LMIC raised quarterly U.S. pork production forecasts slightly based on the latest NASS report. Forecasts for the balance of 2017 and throughout 2018 are for quarterly production to post year-over-year increases. On an annual basis, LMIC forecasts 2017 U.S pork production will be 3% to 4% above 2016's, setting a new record high and up another 1% to 4% in 2018. Still, slaughter hog prices are expected to remain above a year ago for the balance of this year. Overcoming increased tonnage, the LMIC looks for slaughter hog prices to benefit from: 1) continued strong demand (both domestic and foreign); and 2) increased competition compared to a year ago for slaughter hogs as major new U.S. packing plants begin to come on-line later this summer.

## NORTHERN PLAINS PASTURE & RANGE CONDITIONS DECLINE

Pasture and range conditions, as reported in the Weekly Crop Report issued by USDA's National Agriculture Statistical Service, declined slightly, nationally, due to deteriorating conditions in the Dakotas and eastern Montana. For the week ending June 24<sup>th</sup>, 31% of North Dakota pasture/range was rated as very poor and 30% was poor. Five weeks earlier, only 1% pastures in North Dakota had a very poor rating and 10% was considered poor. Combining the very poor and poor condition categories, for the most recent week, the percentage of pasture/range rated such was 53% and 26% for South Dakota and Montana, respectively. Five weeks earlier, those percentages were 19% (South Dakota) and 7% (Montana). For the week ending June 26 of last year, the combined percentage of very poor and poor pasture/range in North Dakota was 11%, South Dakota 13% and Montana 18%.

Pasture conditions in contiguous states are vastly different, so far. The percentage of Nebraska pastures recently rated poor or very poor was 8%, showing slight deterioration since early May. Nine percent of Wyoming pastures were rated poor or very poor, somewhat improved from early May. Oklahoma's condition was rated about the same as in early May with only 4% very poor or poor.

Regional feeder steer prices are showing some effects of the declining forage conditions. South Dakota feeder steer prices reported by USDA's Agriculture Marketing Service (Market News Division) were much weaker for lighter weight cattle than in Nebraska markets. Steers weighing 600 pounds in South Dakota in mid-June were priced \$9 lower per cwt. than a month earlier. Over the same time span in Nebraska, the price comparison for similar steers was up \$10 per cwt. Oklahoma City prices were \$3 per cwt. higher and Montana's were down \$4.

## CATTLE PRICES: FED VERSUS FEEDER

Compared to levels back in October 2016, cattle prices climbed to very high levels during the first five months of this year, but have recently dropped significantly, especially for fed animals. Over the last month, fed steer prices have declined by \$17.50 per cwt. Futures market prices have been volatile. With that said, here we will take a brief look at the spread or price difference between fed steers and 700-to 800-pound steers in the Southern Plains. What this weekly price relationship suggests is that premiums for feeder steers relative to a fed animal have returned to normal.

For the week ending June 17<sup>th</sup>, the premium for a 700-to 800-pound steer above the negotiated slaughter steer price for that same week was \$28.72 per cwt. or 24%. That premium has been increasing seasonally, which is normal into the early summer months. The premium is slightly above a year ago (\$27.34 per cwt. or 23%), likely reflecting lower cost of gain in feedlots (e.g. corn prices are down some year-over-year). Looking back to 2014 and 2015 that premium has dramatically declined. In 2014 the premium for the comparable week was \$55.09 per cwt. (37%) and then surged in 2015 to \$82.42 or 55%. Those premiums in 2014 and 2015 were not sustainable. Last year and 2017's have been rather normal.