

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

July 28, 2017

Production			Prices			
Week Ending 7/29/2017	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	627	581	Live Steer	117.18	119.33	117.00
FI Hog Slaughter (Thou Hd)	2239	2192	Dressed Steer	187.88	189.74	186.08
FI Sheep Slaughter (Thou Hd)	40	37	Choice Beef Cutout	206.96	207.88	198.79
Live Y. Chicken Sl. (Mil Hd)	164.6	164.4	USDA Hide/Offal	11.51	11.69	11.31
			GA Auction Fdr. Str. (6-7 Cwt.)	138.09	138.37	126.12
Slaughter Cattle Live Weight	1331	1351	Iowa/S. Minn. Base Hog	82.76	85.35	68.13
Slaughter Hog Live Weight	277	277	Natl. Net Hog Carcass	87.91	89.91	75.45
Slaughter Lamb/Sheep Live Wt.	135	139	Feeder Pigs (40 Lbs) (\$/Head)	48.13	52.51	33.22
Beef Production (Mil Pounds)	505.0	477.8	Pork Cutout	100.78	103.93	83.49
Pork Production (Mil Pounds)	464.0	454.9	Lamb Cutout	384.21	387.28	313.09
Lamb, Mutton Prod. (Mil Lbs.)	2.7	2.6	Corn, Omaha (\$/Bu)	3.38	3.54	3.06
Previous 6 Wk. Moving Avg.			Wheat, Portland (\$/Bu)	5.23	5.40	NQ
Total Beef (Mil Lbs)	495.6	477.1	Wheat, Kansas City (\$/Bu)	4.42	4.57	3.52
Total Pork (Mil Lbs)	444.9	434.4	Soybeans, Cntrl IL (\$/Bu)	9.93	10.09	10.12
Total Lamb, Mutton (Mil Lbs)	2.5	2.6				

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

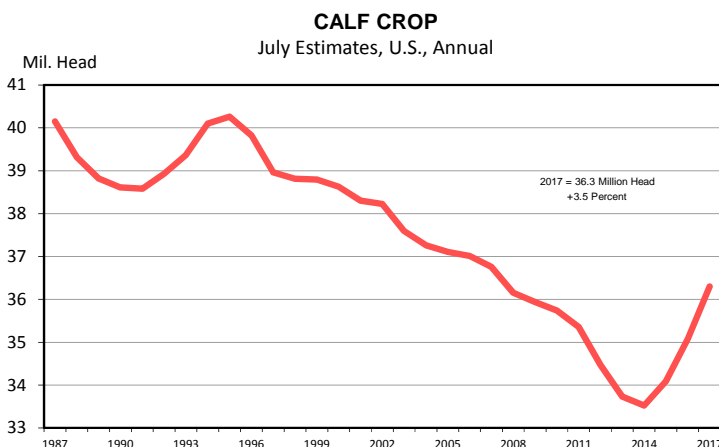
Trends . . . MID-YEAR U.S. CATTLE NUMBERS HIGHER

As of July 1st, USDA's National Agricultural Statistics Service (NASS) estimated that the total U.S. cattle herd was the largest since 2008. At 102.6 million head, the number of all cattle and calves was up 6.9 million head (increase of 7.2%) from the low posted as of July 1, 2014. The U.S. beef cowherd was reported at 32.5 million head, up 2.75 million (9.25) from 2014's. This year's calf crop was estimated to be 3.5% (1.2 million head) bigger than a year ago and 8.3% larger than 2014's.

At mid-year, there were more cattle in all U.S. feedlots than a year ago. In the monthly surveyed feedlots (those with 1000 head or more capacity), NASS put the on-feed count at 10.8 million head, which was 4.5% above 2016's. The number of steers and heifers on-feed for slaughter in all U.S. feedlots was pegged at 12.8 million head, the largest since 2006.

More heifers have been placed into feedlots than in recent years. The number of heifers' on-feed as of July 1 was just over 10.8 million head, the largest since 2012. Of the steers and heifers in feedlots as of July 1, 35.6% were heifers, the largest percentage since 2014's.

Profitability has allowed cattle feeders to aggressively buy animals (feeder cattle). The result has been more steers and heifers placed on-feed than a year ago and higher feeder cattle prices. Monthly Cattle on Feed reports from NASS show the number of cattle placed into feedlots with 1000 head or more capacity during the first six months of 2017 was 11.17 million head. That was a year-over-year jump of 1.10 million head or 11%. Further, the number of head placed during January through June was the largest for that timeframe since 2003.



Data Source: USDA-NASS
Livestock Marketing Information Center

CALF & YEARLING PRICES: MID-YEAR REVIEW AND OUTLOOK

At mid-year, U.S. calf and yearling prices were similar to a year ago, but had rebounded strongly from the dismal market of October and November 2016. Underpinning higher prices was stronger than expected fed cattle prices and profits posted by cattle feeders. In the Southern Plains, yearling prices (700- to 800-pound steers) averaged below a year earlier during the first three months of 2017 and essentially equal to 2016's for the second quarter. Calf prices (500-to 600-pound steers) were more than \$30.00 per cwt. below 2016's in the first quarter of this year, but in the second quarter posted a year-over-year decline of only \$3.40 per cwt.

If fed cattle prices remain above a year ago for the balance of 2017, look for that to support calf and yearling prices compared to a year ago, too. Of course, prices last year were very depressed. Nationally, LMIC is currently forecasting that yearling prices will be at or above a year ago for the balance of 2017. Current quarter (July-September) calf prices are likely to be unchanged to higher, compared to 2016's. In 2017's the fourth quarter, Southern Plains calf prices (500- to-600 pound steers) are currently forecast to be \$8.00 to \$12.00 per cwt. above 2016's.

Three usual drivers of calf and yearling prices in 2018 will likely be at play: 1) fed cattle prices; 2) size of the calf crop; and 3) feedstuff costs. Larger domestic supplies will likely pressure fed cattle prices lower compared to this year's. How much prices slip depends mostly on beef demand, both domestic and foreign. Currently, LMIC is forecasting the annual average fed steer price in 2018 will be 2% to 6% below 2017's. The 2017, U.S. calf crop was bigger than 2016's, and 2018's will increase, again. Feedlots and backgrounders could face higher feedstuff costs in 2018 which may provide some additional headwind to prices. For planning purposes, look for some erosion in calf and yearling prices in 2018 compared to 2017's.

FROZEN BEEF INVENTORY DOWN SHARPLY FROM YEAR AGO

Frozen inventories of meat in cold storage at mid-year were lower than a year ago, except for turkey, according to the latest NASS Cold Storage report. Although frozen meat quantities were down from twelve months earlier, they were above expectations in most cases.

Chicken inventories, which constitute the largest amount of meat in freezers, increased by 23 million pounds during June, the biggest June increase in ten years. Half of the increase was accounted for by leg quarters and the other half came in the "other" category. Last year's mid-year inventory was the highest ever for that time of the year; and this year's frozen inventory is only 1% short of that.

Frozen beef inventories increased five million pounds during June, down 10% from a year earlier. The decline followed a 47 million pound decrease during May, which was the biggest frozen beef inventory decline for the month of May in at least ten years. Compared to the start of the year, frozen beef inventory is down 27%, also the biggest January-June decline in ten years.

The enigma of meat markets this year continues to be pork bellies, or bacon, as frozen inventories remain far below historical norms. Frozen belly holdings at mid-year were down 65% from a year ago. Three months earlier, frozen belly inventories were down 68% from a year earlier. Belly inventories are almost always liquidated during June, and the 9 million pound reduction in stocks was slightly less than the average outflow.

The 22 million pounds of bellies in cold storage at the end of June can be measured against an outflow of bellies from cold storage last July of 12 million pounds and the July 2015 outflow of 21 million pounds. USDA's Agricultural Marketing Service is currently reporting wholesale belly trade values at \$2.65 per lb. as the market tries to ration supplies. The lowest frozen belly inventory in modern times was 4.8 million pounds at the end of September 2010.

Frozen inventories of other products that come from hogs are not as scarce as bellies. Total pork in cold storage at mid-year was down 4% from a year earlier, or 24 million pounds. The decline in bellies, year-over-year is 40 million pounds. Frozen ham inventories are up 13 million pounds and hams in boneless form are up 22 million pounds. This may suggest that there are some product demand issues for further processed meats, based on the accumulation of boneless product.

A similar situation is occurring for turkey, where breast product inventory is up 21% from a year ago at the end of June. Frozen turkey inventory, in total, at mid-year was up 12% from a year ago. The increase is a consequence of a slow-down in turkey consumption during the spring quarter, with preliminary data suggesting a 2-3% decline compared to the second quarter of 2016.