

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

November 10, 2017

Production			Prices			
Week Ending 11/11/2017	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	623	613	Live Steer	123.05	123.53	103.70
FI Hog Slaughter (Thou Hd)	2495	2458	Dressed Steer	192.06	191.99	162.15
FI Sheep Slaughter (Thou Hd)	39	39	Choice Beef Cutout	212.59	206.83	185.47
Live Y. Chicken Sl. (Mil Hd)	165.4	159.6	USDA Hide/Offal	10.13	10.05	11.86
			GA Auction Fdr. Str. (6-7 Cwt.)	NQ	135.15	104.19
Slaughter Cattle Live Weight	1365	1386	Iowa/S. Minn. Base Hog	60.47	63.95	41.78
Slaughter Hog Live Weight	283	284	Natl. Net Hog Carcass	68.36	69.09	52.11
Slaughter Lamb/Sheep Live Wt.	132	133	Feeder Pigs (40 Lbs) (\$/Head)	55.12	53.78	33.51
Beef Production (Mil Pounds)	513.9	516.9	Pork Cutout	81.04	78.92	74.27
Pork Production (Mil Pounds)	526.5	520.7	Lamb Cutout	343.04	340.13	319.56
Lamb, Mutton Prod. (Mil Lbs.)	2.6	2.6	Corn, Omaha (\$/Bu)	3.04	3.16	2.96
Previous 6 Wk. Moving Avg.			Wheat, Portland (\$/Bu)	5.30	5.28	4.67
Total Beef (Mil Lbs)	519.7	511.4	Wheat, Kansas City (\$/Bu)	3.79	3.69	3.26
Total Pork (Mil Lbs)	525.5	515.1	Soybeans, Cntrl IL (\$/Bu)	9.67	9.71	9.86
Total Lamb, Mutton (Mil Lbs)	2.5	2.6				

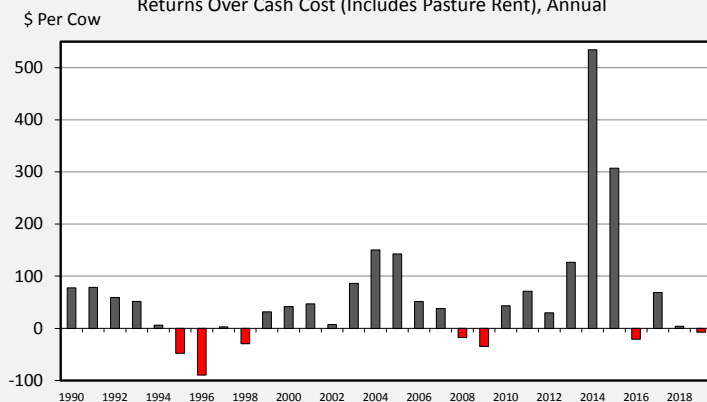
Source: Various USDA-AMS reports. Data are preliminary.

Trends . . . 2017 BRINGS BETTER THAN ANTICIPATED COW-CALF RETURNS

Cattle prices during the fourth quarter of 2017 were significantly stronger than expected. Higher prices caused 2017's calculated cow-calf return over cash costs plus pasture rent to be revised up. In fact, earlier in 2017, the forecast was for returns to be negative, but they actually will be positive.

Since the mid-1970's, the Livestock Marketing Information Center (LMIC) has estimated annual cow-calf returns based on a typical commercial full-time spring calving and fall weaning operation. Those estimates are not survey-based and are developed for market analysis purposes. They do not represent an individual ranch/farm resource base. LMIC calculations only include cash costs of production and pasture rent. That is, return to owner management, labor, etc., are not included. The returns are useful only in a general context. For example, the LMIC uses those estimates because producer return is a key factor influencing national herd growth or contraction.

ESTIMATED AVERAGE COW CALF RETURNS
Returns Over Cash Cost (Includes Pasture Rent), Annual



Data Source: USDA & LMIC, Compiled and Forecasts by LMIC
Livestock Marketing Information Center

In the Southern Plains, using auction prices reported by USDA's Agricultural Marketing Service (Market News Division), in mid-November the LMIC projected that steer calves weighing 500-to 600-pounds in 2017's fourth quarter would be in the upper \$160's per cwt., a year-over-year increase of \$28.00 to \$29.00 per cwt. (up about 21%). Still, compared to the last quarter of 2015, Southern Plains steer calf prices this fall are projected to be lower by \$36.00 to \$37.00 per cwt. (a drop of about 18%).

As 2017 progressed, several positive demand factors came together supporting cattle prices in the face of a larger national calf crop (2017's was estimated at mid-year by USDA's National Agricultural Statistics

Service as the largest since 2007's) and more U.S. beef production than in any year since 2010. Foreign demand was better than expected. The tonnage of U.S. beef sold to other countries was record-large. Demand by packers for slaughter-ready animals was robust and helped pull animals through feedlots, keeping slaughter weights below 2016's. U.S. retailers battled for customers, and one tool they used was featuring beef and offering special prices. A robust U.S. economy bolstered consumer incomes and reduced unemployment levels, factors that supported spending on beef meals at home and in restaurants.

For the year, 2017's cash production costs per cow were slightly higher compared to a year earlier. Of course, many areas of the U.S. this year suffered from natural disasters (drought, wildfires, or flooding), which caused their production costs to spike-up. LMIC estimated that cow-calf returns peaked in 2014, surging to about \$535.00 per cow. However, by 2016 the return had crumbled into the red (-\$21.00 per cow). For 2017, the LMIC calculation is for a positive \$69.00 per cow, which is about the same as posted in 2011. That return may not cover all economic production costs, especially for relatively high-cost operations.

A cautionary note is in order. Returns may erode for the next two years. Cyclically, U.S. calf crops are forecast to continue increasing throughout 2019. U.S. beef tonnage produced in 2018 is expected to be record-large and should rise in 2019, again. Unless demand (domestic and foreign) for beef comes in much better than anticipated, calf prices are forecast to slip for the next two years. Still, calf prices in the fourth quarters of both 2018 and 2019 could remain above 2016's depressed level. However, any faltering in demand relative to 2017's could quickly send cattle prices back down to 2016 levels.

TONNAGE OF U.S. RED MEAT EXPORTS AND IMPORTS

September's U.S. beef and pork exports (data compiled by USDA's Foreign Agriculture Service and Economics Research Service) continued the trends of recent months. For the month, beef tonnage exported was 14% above a year ago and pork was up 2%. For 2017's third quarter, beef volume jumped-up 13% year-over-year, while pork exports were unchanged.

U.S. imports also followed recent trends. In September, beef and pork volume increased year-over-year by 5% and 9%, respectively. Lamb imports continued to surge compared to 2016's, rising 47% for the month and were up 34% during the third quarter.

On a net basis, in September, the U.S. exported more tons of beef than was imported for the first time since February of this year. U.S. pork exports to China and Japan have been limited by increasing Chinese production and aggressive competition in those markets by European countries.

CHICKEN OUTPUT ACCELERATING AS TREND TOWARDS BIG BIRDS RESUMES

Chicken production this quarter is poised to post the biggest year-over-year increase since the summer of 2015. Hatchery output has been up by as much as 5% in some weeks in recent months as the chicken industry responds to the best profitability since the middle of 2014, based on the metric of wholesale parts prices relative to feed costs. Average bird sizes are also back on a path of setting records after several quarters with little year-over-year change. LMIC is projecting current quarter chicken production to be up 3.4% compared to the same quarter in 2016. Heavier average bird weights should account for slightly more than one percent of that gain. Chicken production during the summer quarter was up 2.1% from a year ago.

Average bird weights in September set a record at 6.25 pounds, up from 6.18 pounds in the prior month and 6.15 pounds a year ago. Bird weights in September 2016 were lighter than in September 2015 as the chicken industry was trying to find a solution to breast meat quality problems that were believed to be related to rapid bird growth. Average bird weights during the first half of this year were little changed from a year earlier. Given the lighter average weights of birds that were harvested in the last quarter of 2016, year-over-year bird weight comparisons in coming months could be alarming.

The increase in U.S. chicken production is not being matched by larger volumes of product moving into the export market. Consequently, domestic supplies of chicken available are up commensurately. Calculated summer quarter chicken supplies were up 2.5% from the prior summer. That compares with a 0.9% year-over-year increase in chicken supplies during the first half of this year. Export volumes have skidded to Mexico and Canada. This year's shipments to Mexico are on course to be the smallest since 2012. Sales to Canada have run below year-earlier levels since April. Cuba had been a growth market, but exports to that destination fell in September. All told, chicken exports in September were down 12% from September 2016, the biggest monthly decline from a year ago for 2017 to-date.

Wholesale chicken prices have behaved in a manner consistent with deteriorating demand (or excess supply). Leg parts prices fell 10% from August to October of this year, compared to a 1% gain a year ago. Breast meat prices are down 23% during the last two months. Last year, breast meat prices fell 19% from August to September, caught in the same vortex of declining prices that engulfed beef and pork.