

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

December 1, 2017

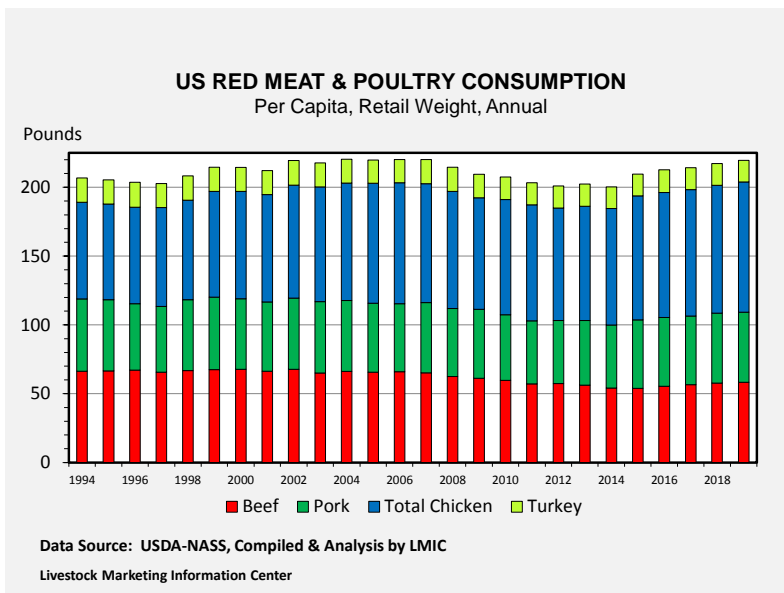
Production			Prices			
Week Ending 12/2/2017	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	649	616	Live Steer	120.68	118.97	114.03
FI Hog Slaughter (Thou Hd)	2535	2542	Dressed Steer	190.05	189.09	174.85
FI Sheep Slaughter (Thou Hd)	42	41	Choice Beef Cutout	207.08	208.70	189.55
Live Y. Chicken Sl. (Mil Hd)	125.5	122.7	USDA Hide/Offal	10.64	10.53	11.77
			GA Auction Fdr. Str. (6-7 Cwt.)	137.10	NQ	112.21
Slaughter Cattle Live Weight	1377	1394	Iowa/S. Minn. Base Hog	58.71	56.81	45.51
Slaughter Hog Live Weight	285	284	Natl. Net Hog Carcass	64.52	64.75	52.52
Slaughter Lamb/Sheep Live Wt.	135	138	Feeder Pigs (40 Lbs) (\$/Head)	66.83	63.92	38.52
Beef Production (Mil Pounds)	537.2	518.6	Pork Cutout	83.00	81.86	73.92
Pork Production (Mil Pounds)	538.5	539.6	Lamb Cutout	342.04	344.08	319.28
Lamb, Mutton Prod. (Mil Lbs.)	2.8	2.8	Corn, Omaha (\$/Bu)	3.17	3.20	3.22
Previous 6 Wk. Moving Avg.			Wheat, Portland (\$/Bu)	5.18	5.26	4.52
Total Beef (Mil Lbs)	518.3	509.4	Wheat, Kansas City (\$/Bu)	4.01	3.86	3.49
Total Pork (Mil Lbs)	517.0	515.2	Soybeans, Cntrl IL (\$/Bu)	9.73	9.84	10.21
Total Lamb, Mutton (Mil Lbs)	2.6	2.6				

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

Trends . . . THE MAJOR LIVESTOCK AND POULTRY MARKET CONCERN

For the next two years, the major market outlook issue or headwind for all the U.S. livestock and poultry markets is the sheer tonnage of product that will be produced. In both 2018 and 2019, forecasts call for record large total U.S. red meat and poultry output. It is important to note that even though many consumers do some substituting between categories, it is not one-for-one. That is, for example, in the overall retail marketplace one pound of beef does not substitute for that same amount of chicken.

For 2015 through 2017, U.S. production of red meats (beef, pork, lamb, and veal) plus poultry (chicken and turkey) set a new record high each year. In 2017, LMIC projects output will be 2.5% larger than 2016's. U.S. production of beef this year is projected to be the largest since 2011, while both pork and chicken set all-time highs.



Putting 2017's tonnage into context by adjusting for U.S. population growth, international trade (quantity of products exported and imported), and frozen stocks carried-over from one year to the next, gives per person domestic market disappearance. That per capita calculation does not remove meat and poultry (skeletal muscle) in pet foods. Estimated per capita retail weight disappearance of beef in 2017 will be the largest since 2012, pork essentially unchanged compared to 2016, and chicken a new record high. On a retail weight basis, 2017's total red meat and poultry disappearance is projected by the LMIC at 115.5 pounds per person, up 1.6 pounds from a year ago. Forecasts for

2018 and 2019 are for 218.5 and 220.9 pounds per capita, respectively. If realized, both those years would be the largest since 2007's. Those levels are not unprecedented, but the 2019 forecast is only one pound below the record high set in 2004.

LARGE BEEF, PORK, AND CHICKEN SUPPLIES SQUEEZE TURKEY CONSUMPTION

Turkey consumption is on a path to decline by about 1% this year compared to 2016's. First quarter 2017 domestic use was up 4-5% year-over-year, but since then volumes have dropped by 3-4%. Preliminary indications for the current quarter suggest that consumption is down half a percent. The slowdown in consumption has resulted in an accumulation of whole birds and parts in frozen inventories. Turkey prices have been pressured downward.

Turkey production profitability in 2017 will be the lowest since 2009. Wholesale whole bird prices are 30% higher than they were in that timeframe, but prices of parts and deboned items are at similar values to 2009's. Feed costs were 3% higher in 2009 than they are this year. In the wake of these poor economic returns, 2010 turkey production slipped by less than 1%. Annual turkey consumption this year is pegged at 5.2 billion pounds by LMIC, down from 5.3 billion pounds in 2016, a decline of 2%.

Turkey inventories in freezers at the end of this year are on a path to be the highest since December 31, 2008. Increasing production of beef, pork, and chicken that is projected for next year will keep prices for these meats on the defensive, so there is little reason to expect turkey consumption next year to change from this year's amount. Flat turkey consumption trends and large frozen inventories at the start of the year are the framework for lower turkey prices for 2018, at least for the first few months.

Lower turkey prices for an industry already struggling with profitability points to the probability that production next year will be less than this year's. Turkey hatchery output in October was up 3% from the prior October, but was down 1% in September. Turkey eggs in incubators on November 1 were up 5% from a year earlier. A reversion to a declining trend for turkey hatchery output is likely before the end of this year. An annual production decline of 3-4% next year could help to reduce frozen product inventories and support higher prices. That would lead to a recovery in industry profitability in the second half of the year.

U.S. CATTLE IMPORT TRENDS

The U.S. is on track to import more cattle from Mexico and Canada in 2017 than a year ago. Still, the imports are projected to be below 2015's. The vast majority of cattle imported from Mexico are feeder animals, but from Canada, all types of cattle are purchased. The major categories are feeder cattle, slaughter steers and heifers, and slaughter cows. USDA's Animal Health Inspection Service (APHIS) establishes requirements, reviews documentation, and inspects cattle prior to being allowed into the U.S. In this article, the preliminary weekly data on the animals imported will be used, as collected by APHIS and then compiled/published by USDA's Agricultural Marketing Service.

Some of the feeder cattle purchased from Mexico go directly into U.S. feedlots while others, especially the light-weight animals, are put on U.S. pasture to gain several hundred pounds before going into a U.S. feedlot. Year-to-date (through mid-November) Market News reported that about 185,000 more feeder animals had been imported than a year ago. That's a 25% year-over-year increase. LMIC projects that for all of 2017 imports will be about 1.16 million head, the largest since 2012. The Mexican cowherd has been growing in recent years, and that has combined with relatively strong U.S. calf prices to pull animals north.

U.S. imports of Canadian cattle are on a downtrend. The Canadian cowherd has been stagnate the last two years and is dramatically smaller than it was 10-years ago (national beef cowherd down over 1.2 million head or 25% during the last decade). So far this year, total U.S. cattle imports from Canada were down about 120,000 head year-over-year (a decline of 17%). LMIC projects that for the full year imports will be just over 660,000 head. Compared to 2016 levels, imports of Canadian feeder cattle have been down 37%, slaughter steers and heifers up 5%, and cows and bulls dropped 26%.

Focusing on just feeder cattle imports, driven by more animals from Mexico, LMIC projects 2017's imports from both Mexico and Canada to be higher year-over-year (up about 16%). If realized, the total will be about 1.3 million head. That's equivalent to 3.6% of the 2017 U.S. born calf crop, as estimated by USDA-NASS in their mid-year count. That percentage is up some from 2016's (3.2%). For many decades, a significant number of Mexican and Canadian origin animals were grown on U.S. forages and in U.S. feedlots, but the source of those animals has been shifting more toward Mexico.