

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

January 19, 2018

Production			Prices			
Week Ending 1/20/2018	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	615	571	Live Steer	120.61	119.92	121.89
FI Hog Slaughter (Thou Hd)	2338	2336	Dressed Steer	NQ	191.72	194.80
FI Sheep Slaughter (Thou Hd)	41	36	Choice Beef Cutout	205.89	209.61	191.65
Live Y. Chicken Sl. (Mil Hd)	165.3	164.3	USDA Hide/Offal	10.63	10.71	11.95
			GA Auction Fdr. Str. (6-7 Cwt.)	135.76	135.60	120.88
Slaughter Cattle Live Weight	1383	1368	Iowa/S. Minn. Base Hog	69.80	68.52	63.29
Slaughter Hog Live Weight	285	284	Natl. Net Hog Carcass	72.61	69.64	66.75
Slaughter Lamb/Sheep Live Wt.	138	143	Feeder Pigs (40 Lbs) (\$/Head)	84.99	82.20	67.61
Beef Production (Mil Pounds)	514.0	468.3	Pork Cutout	80.97	79.25	79.58
Pork Production (Mil Pounds)	498.9	497.2	Lamb Cutout	325.45	325.47	300.51
Lamb, Mutton Prod. (Mil Lbs.)	2.8	2.6				
Previous 6 Wk. Moving Avg.			Corn, Omaha (\$/Bu)	3.35	3.30	3.45
Total Beef (Mil Lbs)	488.3	472.8	Wheat, Portland (\$/Bu)	5.25	5.27	4.62
Total Pork (Mil Lbs)	499.8	478.3	Wheat, Kansas City (\$/Bu)	4.18	4.16	3.78
Total Lamb, Mutton (Mil Lbs)	2.7	2.7	Soybeans, Cntrl IL (\$/Bu)	9.60	9.37	10.57

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

Trends . . . NATIONAL HAY PRODUCTION AND STOCKS DOWN

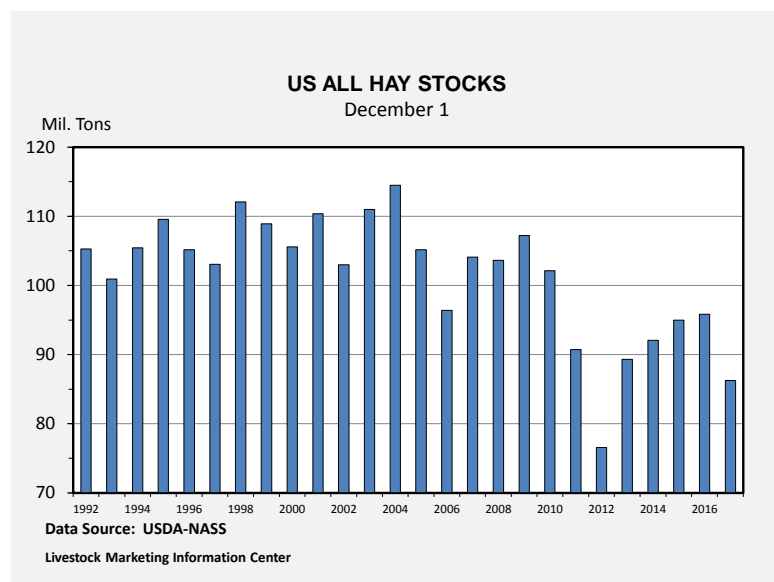
Based on producer surveys, USDA's National Agricultural Statistics Service (NASS) significantly reduced the U.S. hay yield per acre for 2017, compared to earlier estimates, as reported in the Crop Production 2017 Summary released January 12th. That decline translated into a 1% drop in 2017's national production estimate. At 131.5 million tons, U.S. total hay production was the smallest since 2012's drought devastated crop, and was the third lowest since 1988.

The NASS monthly Crop Production report (released January 12, 2018) contained their survey-based hay stocks as of December 1, 2017. At 86.2 million tons nationally, hay stocks were smaller than expected. U.S. stocks were 10% below a year earlier and the lowest since December 1, 2012, when severe drought limited hay production and increased late summer and fall usage. Note that the

December 1, 2017, stock level was the second lowest since 1976. Year-over-year declines in stocks were associated with states impacted by drought, wildfires, and hay destroyed by hurricanes (flooding).

The arctic air mass that settled over much of the U.S., and in recent weeks even brought significant snow to southern states, likely causing much more hay to be fed to beef cattle than typical. Combining that with a cowherd that is larger than a year ago, resulted in the Livestock Marketing Information Center (LMIC) estimate of U.S. hay stocks to begin the new-crop year (as of May 1, 2018) as the smallest since 2013's.

National alfalfa hay prices have posted year-over-year increases since the current



crop-year began last May, and in November averaged \$148.00 per ton, up \$18.00 year-over-year (latest data available per NASS Agricultural Prices report). As of November, NASS reported the national "Other Hay" price was \$118.00 per ton, down \$2.00 from a year earlier. Hay price increases compared to 2017's are likely this year. Helping keep a lid on hay prices are the values of other feedstuffs which are depressed (soybean meal, corn, etc.).

NASS reported new U.S. alfalfa seedings during 2017 were below 2016's (down 3%). With normal growing conditions in 2018, U.S. hay production should increase compared to 2017's. Still, total supply (May 1 stocks plus 2018 production) looks to remain historically tight, especially against a backdrop of more cattle.

That suggests higher national average hay prices well into 2018. Of course, hay is a regional crop, so not all states may see price gains. The LMIC projects that the national All Hay price in 2017/18 will average about \$135.00 per ton, up \$5.50 (about 4%) year-over-year. For the 2018/19 crop-marketing year, the preliminary LMIC forecast is for the national All Hay price averaging just over \$150.00 per ton, the highest since 2014/15 (\$172.00). Farmers that sell hay, especially high-quality types, may find that crop to be one of the few turning a profit in 2018.

From a livestock (cattle and sheep) market perspective, feedstuffs overall are likely to remain abundant in 2018. But, hay is a key ruminant animal feed and any impacts of drought in 2018 on pastures and/or hay production would be magnified by limited carry-over stocks, and could even cause some regional breeding herd/flock adjustments.

U.S. MILK COWHERD: FIRST DOWNTICK IN SEVEN QUARTERS

The U.S. milk cow herd has been expanding at a steady pace (measured in tenths of a percent) since the spring of 2016. That trend came to an end in late 2017. December data is not available yet, but the November herd count was unchanged from October, so the first two months of that quarter showed a decline of 6,000 cows from the summer quarter average. The November milk cow herd was pegged at 9.397 million head by USDA-NASS (National Agricultural Statistics Service). Milk production for the final quarter of 2017 should still be up from a year earlier by about 1%, however, as milk cow productivity is improving at a faster rate than the small reduction in milk cow numbers.

The decline in milk cows late in the year mirrors milk price trends that developed as the year progressed. Milk prices at the farm as reported by USDA-NASS started the year out above \$18.00 per cwt., the highest first-quarter average since 2014. Spring quarter milk prices averaged \$16.83 and then moved up in a typical seasonal manner to \$17.70 in the summer. As such, this was the biggest winter-to-summer milk price decline since 2008 (by \$.04 per cwt.). Milk prices during the last quarter of 2017 were holding steady through October and November but were under pressure during December. The Class III Milk price went from \$16.88 per cwt. in November to \$15.44 in December, foretelling a big decline in the All Milk price reported by USDA-NASS for December, which will be published at the end of this month.

Underlying the recent trend in U.S. dairy market conditions is a glut of milk products on a global basis. USDA-FAS (Foreign Agriculture Service) reported in late December that large European Union (EU) skim milk powder intervention stocks continued to increase during 2017, to the point where the continued market-price support efforts could not be maintained as mandated in the 2013 Common Agriculture Policy agreement. Skim milk powder prices in Western Europe fell over 20% from July to the end of November and prospects for a recovery in early 2018 do not appear likely, given the decision by the EU to limit price support efforts in the milk powder market.

The milk powder price situation in Europe reverberated quickly through the U.S. milk market. Non-fat dry (NFD) milk prices held steady during the summer quarter, but lack of price competitiveness in the world market resulted in exports of U.S. milk powder declining 16% from a year earlier during the summer quarter. Inventories of NFD milk were already a problem at mid-year 2017, up 28% from a year earlier after starting the calendar year up only 12% from the start of 2016. At the beginning of October, NFD milk inventories were up 49% year-over-year, and NFD milk prices started to collapse. The December average price for NFD milk reported by USDA-AMS (Agricultural Marketing Service) was the lowest since before 2000, down 20% from six months earlier.

Given the global scope of the milk powder market imbalance at the onset of 2018, the outlook for the US dairy market is cautionary, at best. Milk prices typically move lower during the first half of the year, and 2018 should be no different. The issue will be how much lower and for how long. A static or declining milk cow population, as well as plateauing milk cow productivity, could provide relief from additional milk supply. Strong economic growth with commensurate gains in consumer spending on dairy products would also help. Prospects for market stability or recovery are reasonable for the second half of the year, but the next six months will be challenging.