

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

May 11, 2018

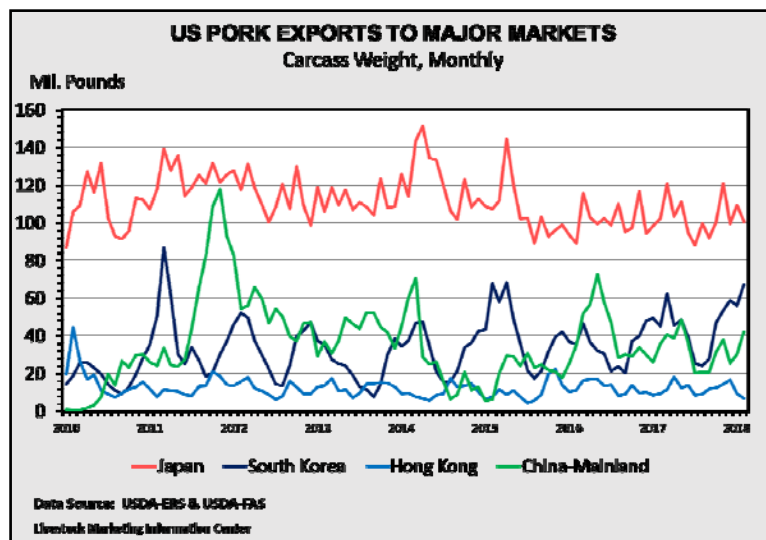
Production			Prices			
<b>Week Ending 5/12/2018</b>	Last	Year Ago	<b>Weekly Average (\$/Cwt)</b>	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	645	619	Live Steer	121.21	124.81	137.28
FI Hog Slaughter (Thou Hd)	2313	2266	Dressed Steer	191.75	193.65	220.33
FI Sheep Slaughter (Thou Hd)	35	34	Choice Beef Cutout	230.61	226.80	244.55
Live Y. Chicken Sl. (Mil Hd)	160.7	161.9	USDA Hide/Offal	9.85	9.74	11.54
Slaughter Cattle Live Weight	1333	1308	GA Auction Fdr. Str. (6-7 Cwt.)	139.58	138.78	141.14
Slaughter Hog Live Weight	287	282	Iowa/S. Minn. Base Hog	60.67	59.08	69.55
Slaughter Lamb/Sheep Live Wt.	146	135	Natl. Net Hog Carcass	66.82	66.22	70.66
Beef Production (Mil Pounds)	517.0	487.4	Feeder Pigs (40 Lbs) (\$/Head)	61.98	64.00	56.42
Pork Production (Mil Pounds)	495.9	478.0	Pork Cutout	72.19	69.36	81.25
Lamb, Mutton Prod. (Mil Lbs.)	2.6	2.3	Lamb Cutout	331.64	330.19	352.27
<b>Previous 6 Wk. Moving Avg.</b>			Corn, Omaha (\$/Bu)	3.78	3.85	3.43
Total Beef (Mil Lbs)	505.9	481.1	Wheat, Portland (\$/Bu)	5.83	5.91	4.81
Total Pork (Mil Lbs)	505.1	484.2	Wheat, Kansas City (\$/Bu)	5.03	5.37	3.99
Total Lamb, Mutton (Mil Lbs)	2.7	2.5	Soybeans, Cntrl IL (\$/Bu)	10.02	10.35	9.58

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

### Trends . . . STRONG QUARTERLY RED MEAT & TURKEY EXPORTS

U.S. exports in the first quarter of 2018 started off the year at a rapid pace. Lamb led the charge and was up 68% from the first quarter of 2017, driven by increased buying from Mexico. Turkey exports had the second strongest first quarter ever, rising 15% year-over-year. Mexico also was the major turkey buyer, increasing purchases by 21% or 18 million pounds compared to 2017's. U.S. beef exports were up 12% compared to a year ago, followed by pork up 6%. Broiler exported tonnage was even with last year's.

For the first quarter, on a volume basis, pork and beef had the largest gains year-over-year. Beef exports surged in the first three months of the year sending an additional 79 million pounds overseas than last year. Interest from Asian markets continued to build. Taiwan posted the largest percentage gain, surging 37% followed by Hong Kong which had 22 million pound jump-up. U.S. tonnage sold to South Korea rose by 29%, which is one of the U.S.'s largest beef markets, increasing 30 million pounds in the first quarter over 2017's. Vietnam continued to increase purchases and was up 17%, and other countries outside the top 7 bought 30% more beef.



more beef.

The majority of the increase in U.S. pork exports occurred to South Korea, which purchased an additional 54 million pounds in 2018's first quarter, more than half the rise in total volume. Countries outside of the top importers of U.S. pork showed significantly higher interest in U.S. products gaining 18%, up 35 million pounds from a year earlier. The Caribbean gained 18% as well but remained a relatively small market (up 5 million pounds year-over-year). Mainland China increased 11%. Hong Kong and Mexico bought less U.S. pork, to the tune

of 7 million and 9 million pounds, respectively.

Broiler exports appear disappointing compared to the other animal protein sectors. South Korea was one of the bright spots increasing 83% over 2017. In the last couple of years, U.S. broiler exports to South Korea have declined as the S. Korean government supported the domestic industry that was hit with heavy losses during AI outbreaks. U.S. shipments during 2018's first quarter were 3<sup>rd</sup> highest quarter since the end of 2014. Hong Kong and Canada saw the largest percentage declines year over year, down 23% and 11%, respectively.

## NATIONALLY, PASTURE AND RANGE BEGIN THE YEAR STRUGGLING

Pasture and range conditions opened this season with the U.S. having 20% rated as being in poor and very poor condition. That was the worst first week of the season since 2014. Western states opened the season with 32% in poor and very poor conditions, which was the highest percentage of all the regions. The Great Plains and Southern Plains report 22% and 27% of pastures in poor and very poor conditions. In the Corn Belt and the Northeast, conditions were 10% to 20% poor and very poor. The Southeast was the only region that was better off than a year ago.

The Southern Plains (OK, TX) has been showing extreme drought conditions since the beginning of the calendar year. That drought has intensified, covering most of Western Oklahoma and the Texas Panhandle. The most recent drought monitor showed 14% of the land area in Texas is in Extreme to Exceptional Drought. For Oklahoma, that number is closer to 35%. It is somewhat surprising that more Southern Plains is not rated as being in poor to very poor condition. It is important to note that the drought monitor shows a lack of moisture throughout the soil profile. Fair and Good categories are reporting the Southern Plains as 37% and 33% respectively.

Across the Western Region (AZ, CA, ID, NV, NM, OR, UT, WA) pasture and range has 40% in good to excellent conditions even though it has the area has lots of poor and very poor conditions as well. Drought has extended beyond the Southern Plains and has covered large parts of Arizona, New Mexico, and Utah. In contrast, the Pacific Northwest is showing very little sign of dryness. Washington had only 2% of pasture in the two lowest categories, and 56% in good condition.

USDA-NASS reported May 1 U.S. hay stocks had a significant draw down in hay inventories, declining more than 8 million tons from last year's, which represented a 36% reduction. Nationally the figure is the lowest May 1 stocks report since 2013.

Nearly half of U.S. states saw declines of 30% or more in hay stocks. Those drops were not limited to drought areas. Only 16 states showed higher year-over-year May 1 stocks. In critical drought areas of TX and OK declines were over 50%, implying supplemental feeding as 2017 combined hay production declines down only 11%. Surrounding states also have large declines in inventory. Louisiana was down 63%, Missouri fell 61%, and Kansas by 30%. In most of the U.S., tight hay stocks will support new-crop hay prices, at least in the near-term.

## U.S. DAIRY HERD SHRINKS IN MARCH; FIRST MARCH DECLINE SINCE 2009

The dairy cow herd declined by 2,000 head in March according to USDA-NASS, the first February-to-March decline since 2009. Milk prices at the farm dropped by \$2.00 per cwt. from the last quarter of 2017 to the first quarter of 2018, and Class III milk prices (cheese grade milk) fell by \$2.50. Those were the lowest milk prices since the spring quarter of 2016. In 2009, farm milk prices dropped \$4.50 from the last quarter of 2008 to the following quarter and didn't begin to recover until the last quarter of 2009. The dairy herd continued to decline throughout 2009, and milk production fell about half a percent from 2008's output.

A short-term recovery in milk and dairy product values has been underway since March, which could curtail continued declines in the milk cow herd. Class III milk prices were up 80 cents per cwt. in March and 25 cents in April. According to CME cash prices reported in Dairy Market News, non-fat dry milk prices averaged 71 cents per pound during the first quarter, dropping below 70 cents in some weeks, but have rallied into the mid-80's in early May. Currently, butter prices are trending higher, approaching \$2.40 a pound, 5% higher than a year ago. U.S. inventories of butter and American-type cheeses are at similar levels to a year ago, but non-fat dry milk and non-American-type cheese inventories are up close to 10% from a year ago. In all cases, last year's inventories were considered large, if not unprecedented. The price rallies in these markets have caught many industry observers by surprise.

Globally, dairy prices have been on the upswing this spring. Oceania milk powder prices are up 4% to 5% since the end of March while Western Europe price is up about 10%. Both of those increases are less than U.S. powder prices have risen during the same interval. That could mean that U.S. milk powder prices were currently a bargain, but that might not be the case going forward. Year-over-year, non-fat U.S. dry milk exports increased 30% year-over-year in February and were up close to 40% in March.