

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

September 14, 2018

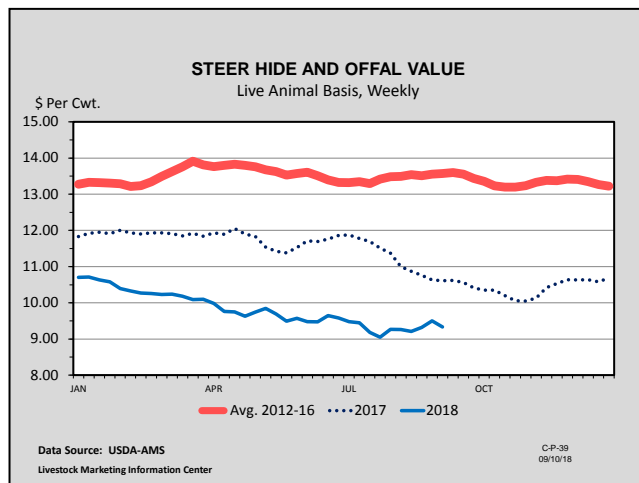
Production			Prices			
Week Ending 9/15/2018	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	652	646	Live Steer	107.79	107.67	105.89
FI Hog Slaughter (Thou Hd)	2315	2460	Dressed Steer	171.52	170.25	166.48
FI Sheep Slaughter (Thou Hd)	38	37	Choice Beef Cutout	205.09	209.13	191.03
Live Y. Chicken Sl. (Mil Hd)	149.1	149.0	USDA Hide/Offal	9.24	9.33	10.62
Slaughter Cattle Live Weight	1348	1363	GA Auction Fdr. Str. (6-7 Cwt.)	135.77	136.68	NQ
Slaughter Hog Live Weight	278	282	Iowa/S. Minn. Base Hog	48.02	39.48	55.25
Slaughter Lamb/Sheep Live Wt.	135	132	Natl. Net Hog Carcass	54.67	52.04	66.04
Beef Production (Mil Pounds)	533.7	535.7	Feeder Pigs (40 Lbs) (\$/Head)	31.32	21.87	36.96
Pork Production (Mil Pounds)	480.6	518.2	Pork Cutout	70.71	68.22	79.95
Lamb, Mutton Prod. (Mil Lbs.)	2.6	2.4	Lamb Cutout	333.67	335.62	362.49
Previous 6 Wk. Moving Avg.			Corn, Omaha (\$/Bu)	3.15	3.33	3.19
Total Beef (Mil Lbs)	519.1	513.9	Wheat, Portland (\$/Bu)	5.91	5.95	6.22
Total Pork (Mil Lbs)	495.6	485.1	Wheat, Kansas City (\$/Bu)	5.16	5.15	3.78
Total Lamb, Mutton (Mil Lbs)	2.6	2.4	Soybeans, Cntrl IL (\$/Bu)	7.73	7.92	9.64

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

Trends . . . STEER AND HOG BY-PRODUCT VALUES

Steer and hog by-product values have been lagging all year. USDA's Agricultural marketing Service collects price data of byproducts (liver, hide, tallow, etc.), and calculates by-product value on a live animal basis. For the most recent week (ending September 7th), the steer by-product value was down 12% per cwt. compared to 2017's, and hog by-product value dropped by 6%. Steer by-product values have been below \$10 per cwt. for 23 straight weeks, a situation not seen since the first quarter of 2010.

Pork by-products with few exceptions are posting lower values in 2018. Using data from the most recent week the largest declines are in snout values which are registering at just over half the value they brought last year. Other large declines are in tongues, bone meal and blood meal. Those values are more than 25% down from last year during this same week. Only two items had a year-over-year price gain: ears (up 29%) and stomachs (increasing 10%). The U.S. pork by-product hog market is primarily dependent on foreign customers, with China buying a large share. In 2017 and 2016 about 35% of frozen swine offal (international trade code of HTS 20649) shipped overseas went to China. This year's export tonnage for that category is off by 17% January through July, with China's purchases off by 36%.



Steer by-product values have only one category showing a year-over-year gain: tripe is up 20% compared to the same week last year. Hearts and bleached tallow have posted the largest declines for the week of September 7th; each is down over 20% from 2017's. Tongues, bone meal and all three hide categories have suffered losses of 10% or more. Bovine by-products also are heavily dependent on foreign markets. Exports year to date are down 11% in frozen categories and tongues are down 4%.

Cattle hides have been one of the more interesting facets of this year. Heavy steer hides set the lowest weekly average value since 2012 this July, at \$68.40 per piece. The average weekly value

during this five-year timeframe is \$104.67 per piece. and in the second week of September, the price hit \$69.33, nearly 35% off the average weekly value. On a per head basis, the weakness in hide prices is knocking more than \$25 per animal compared to the five year average. Hides are the biggest contributor to the cattle by-product calculation. That in part could be related to certain companies moving away from real leather in favor of synthetics dampening demand. Also, the supply of hides has grown as slaughter rates have increased.

CATTLE MARKET OUTLOOK

A strong domestic economy and robust exports have buffered beef, and hence, cattle prices against near record large U.S. beef production and all-time highs in competing meats and poultry supplies. The U.S. beef cattle sector is now well into the cyclical adjustment phase, transitioning from aggressive herd expansion to very modest growth.

U.S. beef production this calendar year is projected at 27.1 billion pounds, an increase of 3.3% year-over-year. Fed cattle prices are expected to average 3.0% to 3.5% below 2017's, the lowest annual average since 2011. In contrast, 2018's calf and yearling prices will be slightly above both 2016's and 2017's.

There are unknowns and potential headwinds for cattle markets during the next few years, not the least of which is the potential for U.S. beef, pork, and chicken exports to falter under a cycle of tariffs and retaliation. Also, any significant weakness in the domestic or global economy compared to the healthy conditions of the last 12 months could dampen demand for beef, and therefore cattle.

Smaller herd growth rates will translate into the rather modest year-over-year increase in beef production in 2019. Assuming normal weather conditions, expect U.S. beef output to be about 27.5 billion pounds, up 1.0% to 2.0% for the year. That would be the smallest percentage increase since 2015 (note, that year was the last to record a decline).

In the first quarter of 2019 fed cattle prices could be below 2018's. In subsequent quarters prices are forecast to be similar to a year earlier. A normal 2019 Midwest corn crop would set the stage for steady to modestly higher yearling and calf cattle prices in the second half of 2019 compared to the corresponding quarters in 2018.

If recent trends persist regarding cow and heifer slaughter levels, 2020 could mark the end of the current U.S. cattle inventory build-up. Preliminary forecasts place beef output in 2020 unchanged to up 2% year-over-year. If the U.S. economy is still growing in 2020 and export markets do not deteriorate, expect modest year-over-year gains in prices forecast during that year.

U.S. MEAT AND POULTRY EXPORTS AND IMPORTS IN JULY

Across the protein sectors, the U.S. data on a tonnage basis for July (released September 6th) showed that beef exports continued to lead the way, followed by pork, while poultry continued to lag. U.S. imports of both beef and pork declined year-over-year. However, lamb and mutton imports surged.

In July, the U.S. exported 16.8% more tonnage of beef than a year ago. Tonnage sold to South Korea surged 61.1% year-over-year, and double-digit increases occurred to several other major markets (Taiwan jumped up 45.8%, Vietnam increased by 19.7%, Mexico was 17.1% higher, and Japan increased by 12.9%). The forecasts for beef shipments by USDA's World Agricultural Outlook Board in their WASDE report (released September 12th) for both calendar year 2018 and 2019 were raised, based largely on the robust July numbers. Their foreign sales forecast was already record-high before the latest increase. On a dollar value basis, U.S. beef exports (not including variety meats and other exported items) increased by 19.7% year-over-year.

U.S. beef imports declined slightly compared to a year earlier (down 1.9%). That drop was due to a decline in tonnage from Australia. Increases were mostly from countries in South and Central America (Brazil, Uruguay, and Nicaragua) and New Zealand.

Tons of pork exported increased in July compared to a year ago, rising by 8.9%. Among major markets, tonnage sold to China (mainland), Mexico, and Canada dropped from 2017's levels. As with beef, sales to South Korea posted spectacular gains, surging by 64.0% compared to a year earlier. Importantly, the dollar value of U.S. pork exports fell year-over-year by 2.7%.

Drought in Australia continued to force product into the U.S. lamb and mutton markets. In July, the year-over-year increase in lamb and mutton imports (tonnage) was 32.3% and 137.3%, respectively. Increased imports have weighed on the U.S. lamb prices.

U.S. broiler export tonnage has been on the defensive for the last four years. Even though pounds sold to foreign countries increased year-over-year in July (up 4.6%), compared to July 2014, there was a 7.5% drop. For the month, turkey sales declined by 9.6% from a year earlier.