

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

October 12, 2018

Production			Prices			
Week Ending 10/13/2018	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	639	623	Live Steer	110.63	110.95	111.01
FI Hog Slaughter (Thou Hd)	2489	2512	Dressed Steer	173.76	174.83	174.96
FI Sheep Slaughter (Thou Hd)	39	36	Choice Beef Cutout	202.68	204.30	197.50
Live Y. Chicken Sl. (Mil Hd)	167.5	165.8	USDA Hide/Offal	9.09	9.12	10.35
Slaughter Cattle Live Weight	1359	1362	GA Auction Fdr. Str. (6-7 Cwt.)	135.48	137.42	132.16
Slaughter Hog Live Weight	280	282	Iowa/S. Minn. Base Hog	62.95	63.39	55.93
Slaughter Lamb/Sheep Live Wt.	136	132	Natl. Net Hog Carcass	69.62	69.24	61.60
Beef Production (Mil Pounds)	527.6	512.4	Feeder Pigs (40 Lbs) (\$/Head)	0.00	40.34	43.14
Pork Production (Mil Pounds)	518.9	528.8	Pork Cutout	79.17	80.27	73.84
Lamb, Mutton Prod. (Mil Lbs.)	2.6	2.4	Lamb Cutout	332.16	336.22	346.68
Previous 6 Wk. Moving Avg.			Corn, Omaha (\$/Bu)	3.27	3.20	3.09
Total Beef (Mil Lbs)	524.9	517.0	Wheat, Portland (\$/Bu)	6.10	6.09	5.20
Total Pork (Mil Lbs)	501.7	516.4	Wheat, Kansas City (\$/Bu)	5.24	5.24	3.68
Total Lamb, Mutton (Mil Lbs)	2.6	2.4	Soybeans, Cntrl IL (\$/Bu)	8.12	8.08	9.67

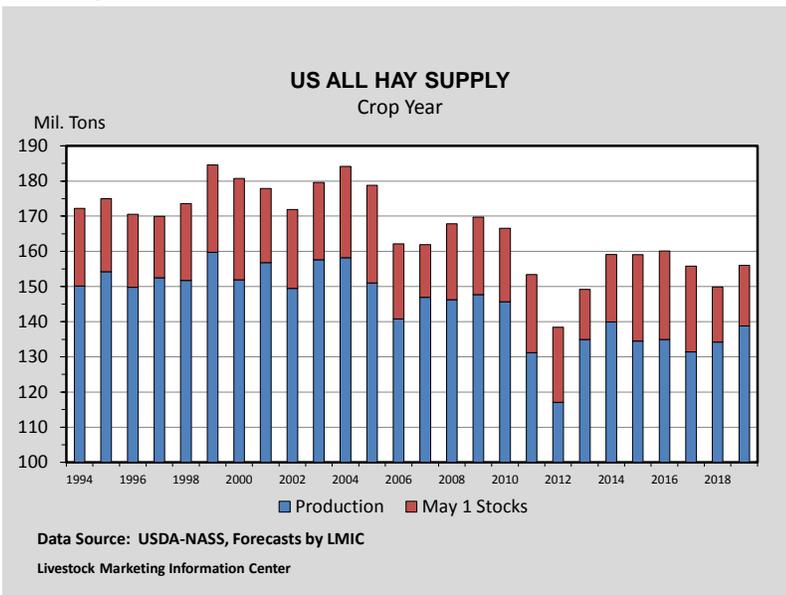
Source: Various USDA-AMS reports. Data are preliminary.

Trends . . . U.S. CROP UPDATE: CORN, SOYBEANS, AND HAY

USDA released updated crop production (NASS Crop Production report) and their World Agricultural Supply and Demand Estimates (WASDE) publication on October 11th. The biggest adjustments were made in 2018 hay production estimates.

Acreage updates were made for corn and soybeans, along with minor yield changes based largely on field samples collected by NASS. The 2018 U.S. corn crop is still expected to be the second largest ever, while soybeans set a new all-time high. WASDE made adjustments to crop-year 2017/18 ending stocks to align with the larger than anticipated levels reported in late September by NASS. The major adjustment was to lower feed and residual disappearance for corn. WASDE corn and soybean price forecasts for 2018/19 were unchanged.

August and September moisture improved late-season hay crops. U.S. production of alfalfa and alfalfa mixture dry hay for 2018 is now forecast at 59.5 million tons, an increase of 3% from the NASS August estimated and up 8% year-over-year. Other Hay production is projected at 74.9 million tons in 2018, up 6% from the prior estimate (August's), but remained below 2017's by about 2%. USDA also increased yield forecasts adding on a tenth of a ton per acre to both alfalfa and other hay. The resulting increases boosted forage production by over 4 million tons in other hay and nearly 2 million tons of alfalfa. LMIC reduced annual (2018/19 crop-year) hay price forecasts slightly, noting that tight beginning inventories will still have an impact on 2018/19 prices.



CATTLE ON FEED PLACEMENT WEIGHT SEASONALITY

The last two Cattle on Feed reports by USDA's National Agricultural Statistics Service have shown rather large placements of animals on-feed relative to a year ago. In July and August, head placed was the largest in over five years for the respective months. Further, larger placements were posted in both the less than 600-pound weight group and the 600- to 699-pound category. In July, the number of calves placed weighing under 600 pounds was up 14% year-over-year, while 600-to 699-pound calves increased by 23%. In August, those categories were 19% and 18% above 2017's.

A calculated seasonal index over the last 20 years shows a pattern emerges for both weight categories that October overwhelmingly has the highest volume of animals placed. Indexes are relative to the annual average, so a value of 1.5 is 50% above average for the month. The national 20-year index puts under 600-pound calves going into feedlots at a value of 1.72 for October compared to the second highest in November of 1.35. Values for August through December are all larger than 1.0, meaning larger than the annual average. Index value from January to July established values under 1.0, ranging from .90 in July to .71 in February. The 5- and 10-year seasonal index values have greater index values in the January through July timeframe and lower August through November values. December indexes are higher for the 10-year and 5-year seasonal indexes compared to the 20-year December index value. That implies seasonality is less pronounced in those shorter year timeframes, although the differences are rather small.

Monthly placed index values for 600-to 699-pound calves have a slightly different pattern. Values greater than 1.0 were calculated in the 20-year seasonal index for September through December, and January. October was again the highest, at 1.57 (indicating placements for that weight group are 57% higher than the average). The lowest value calculated was April, at 0.68. February through August values all calculated below 1 with the largest index value in August at 0.93. Fluctuations between the 10-year and 20-year seasonal index are very small. However, the 5-year seasonal index shows changes in the April index value moving to 0.74, and in July and August index values were much smaller. That does not seem to be the case this year, as July and August placements for this category were significantly higher.

During the year, the weights of cattle placed on-feed are quite different; here we just contrasted the two lighter weight placement categories. Also, there are differences by region (e.g., Nebraska versus Texas). Of course, year-to-year comparisons can be influenced by forage conditions and economics.

GROCERY STORE MEAT PRICES MOVE LOWER IN SEPTEMBER

At the retail level, beef, pork, and chicken prices were drifting lower in September, based upon Bureau of Labor Statistics survey data that is compiled by USDA's Economic Research Service (ERS). The decline for beef and pork reversed a trend of rising prices during the summer months. Chicken prices have moved within a narrow range since February.

The biggest retail price decline from August to September was for Choice Beef, falling 15 cents per pound. Even with the drop in price, compared to twelve months earlier, prices were still 2% higher. That compares with retail pork prices that were 5% lower than a year earlier and chicken prices that were lower by a fraction of a percent. ERS also calculated a monthly "All Fresh" retail beef price which declined 4 cents per pound in September but was slightly higher (up by less than 1%) compared to a year earlier.

Lower pork price was driven by bacon. Nationally, September bacon prices averaged \$5.50 per pound. In September 2017, grocery store bacon prices set a record at \$6.36 per pound. Pork chop price declines were more moderate than for bacon, ranging from 10-20 cents per pound from a year earlier, depending on the product form. Ham prices were moving in the opposite direction, up less than 1% for August but up 3% from a year earlier.

Grocery store chicken prices fell 2 cents per pound from August, reaching the lowest level since January. ERS calculates an average chicken price based on the composite value of parts. On a quarterly basis, that average price fell below \$1.90 in the last quarter of 2016 and has not returned to that level since. Retail prices in coming months are not likely to move back up to that level in the coming months as inventories in cold storage are record large and are increasing at an ominous rate. Chicken parts prices at the wholesale level were down 20-30% from a year ago during the summer quarter.

Ground beef prices in September were moving lower, similar to the ERS measure of "All Fresh" beef. The exception was the lean or extra lean grades that were up 2 cents per pound. The declining price trend for fresh beef during September has been the general rule since 2011, with declines of 2-5 cents every year except in 2014. In 2014, cow slaughter was down close to 20% from the prior year, and beef production declined by nearly 5%, resulting in tight supplies of beef grinding material. During the last three years, the "All Fresh" beef price in grocery stores has continued to decline during the last quarter of the year. Wholesale price trends for beef trimmings in recent months were moving lower relative to the first half of the year, which should keep retail ground beef prices on the defensive.