

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

November 9, 2018

Production			Prices			
<b>Week Ending 11/10/2018</b>	Last	Year Ago	<b>Weekly Average (\$/Cwt)</b>	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	640	624	Live Steer	112.45	114.95	122.71
FI Hog Slaughter (Thou Hd)	2589	2492	Dressed Steer	179.58	180.27	191.62
FI Sheep Slaughter (Thou Hd)	38	39	Choice Beef Cutout	217.37	216.67	212.59
Live Y. Chicken Sl. (Mil Hd)	164.5	165.4	USDA Hide/Offal	9.12	9.05	10.13
Slaughter Cattle Live Weight	1365	1372	GA Auction Fdr. Str. (6-7 Cwt.)	131.39	133.40	135.17
Slaughter Hog Live Weight	283	285	Iowa/S. Minn. Base Hog	55.68	58.49	60.38
Slaughter Lamb/Sheep Live Wt.	135	134	Natl. Net Hog Carcass	63.79	64.61	68.01
Beef Production (Mil Pounds)	526.4	516.6	Feeder Pigs (40 Lbs) (\$/Head)	43.41	40.48	55.12
Pork Production (Mil Pounds)	545.7	529.9	Pork Cutout	72.71	76.34	81.04
Lamb, Mutton Prod. (Mil Lbs.)	2.6	2.6	Lamb Cutout	333.15	334.13	343.04
<b>Previous 6 Wk. Moving Avg.</b>			Corn, Omaha (\$/Bu)	3.53	3.38	3.04
Total Beef (Mil Lbs)	527.1	521.1	Wheat, Portland (\$/Bu)	6.25	6.19	5.30
Total Pork (Mil Lbs)	538.0	526.5	Wheat, Kansas City (\$/Bu)	4.98	5.14	3.79
Total Lamb, Mutton (Mil Lbs)	2.6	2.5	Soybeans, Cntrl IL (\$/Bu)	8.42	8.28	9.67

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

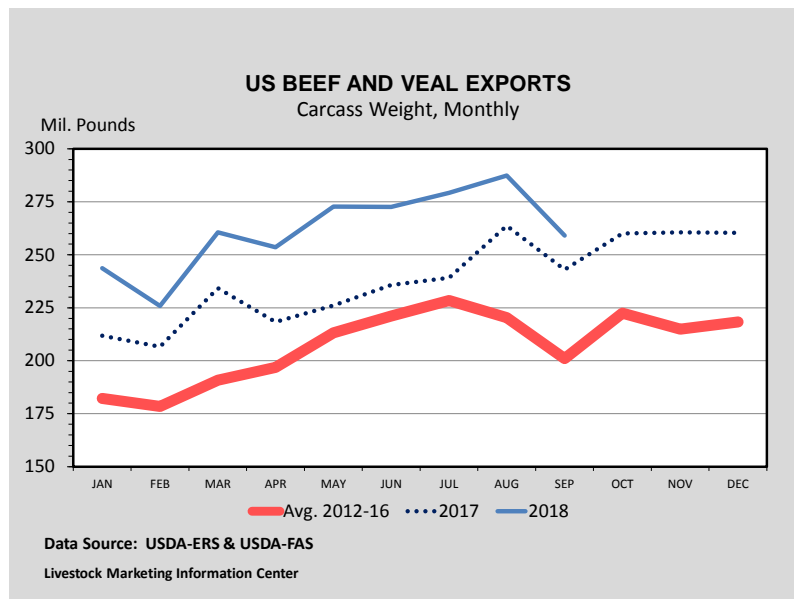
## Trends . . . QUARTERLY RED MEAT AND POULTRY TRADE

U.S. red meat exports had a strong finish to the third quarter, according to data compiled by USDA agencies (Foreign Agriculture Service and the Economic Research Service). Beef exports are leading the way. In the third quarter, U.S. beef and veal exports on a carcass weight rose by 11% year-over-year, stretching the double-digit growth out to its third consecutive quarter. Double-digit percentage increases in beef export tonnage have been posted for eight of the last ten quarters. Pork exports were up 5% this quarter, a small drop from the gains of 6% in both the earlier quarters this year. Lamb exports increased 6% year-over-year in the third quarter, the lowest quarterly increase so far this year (the first and second quarters posted jumped-up by 67% and 40%, respectively).

U.S. poultry exports have struggled. Broiler exports, the biggest category, was the only category to show positive gains in the third quarter, rising 8% year-over-year. Other chicken exports fell 27%, the

smallest decline so far this year. First quarter other chicken exports were down 30% and second quarter was down 43%. Turkey exports have fared only slightly better. Third quarter posted a 16% drop, on the heels of a 1% decline in the second quarter and a 15% gain in the first quarter.

Compared to a year ago, beef imports were down 1% in both the third and second quarters of 2018. Pork imports dropped by 13% in the third quarter, following a 4% decline from 2017's level for the second quarter. Both beef and pork imports were up year-over-year in the first quarters of 2018 (up 3% and 6% respectively). Lamb imports increased 2% in the latest



quarter. Broiler imports surged 28%, while turkey gained a modest 3% from last year. Other chicken imports have been down all year; the third quarter was down 31%.

Strength in red meat exports has been a bright spot this year, especially for beef. Next year is expected to bring further gains in production of beef and pork, but it seems unlikely beef exports will be able to maintain double-digit growth into 2019. The significant headwinds are a strengthening U.S. dollar, softer economic growth in Asian countries, and tariff levels. LMIC forecasts 2019 beef exports to be up about 2% on the year, and pork exports to rise near 3%.

## SUMMER QUARTER MEAT AND DAIRY DEMAND MIXED ON STRONG ECONOMY

The net value of goods and service produced by the U.S. economy during the summer increased at a 3.5% annual rate. That followed a solid Spring quarter, which was up 4.2%. Sustained U.S. economic growth rate over the last six months was the strongest since 2014.

Consumers played a pivotal role in that growth by upping spending at a 3.8% to 4.0% rate. Consumer spending choices during the last six months reflected a preference for bigger-ticket discretionary purchases such as autos, furniture, and recreational goods. The latter category registered 9.4% and 12.4% quarter-to-quarter gains in the last two quarters. The only other sector of the economy posting bigger gains for the six month period was business investment in computer software. To provide some context, in terms of actual dollars spent, consumer spending on recreational goods is 1% to 2% larger than business investment in software.

The spending category labeled “food and beverages purchased for off-premises consumption,” for the most part grocery store spending, was up 2.8% and 4.0% for the Spring and Summer quarters, respectively. Those increases fall into the middle range of growth for this sector during the last two years. Meanwhile, the spending category “food services and accommodations” jumped 8.1% and 6.9% during the Spring and Summer quarters, capturing the preference for away-from-home (e.g., restaurants) meals.

Wholesale market measures of beef demand were consistent with trends in consumer spending choices. Beef has more exposure to foodservice marketing channels than pork. The Choice beef cutout this summer was up 3% from a year ago, even as beef supplies from steers and heifers increased by 0.5%. More product sold at a higher price is the essence of favorable demand. Impressive export growth also played a role in this situation. By comparison, pork production was up 1.2% from a year earlier during the Summer, and hog carcass values were down 17% from the previous year. Lack of foodservice efforts to promote bacon was a noticeable difference this year compared to last year. Market conditions for chicken suggest problems. Breast meat values in wholesale marketing channels were down 23% from a year ago during the Summer with production only up 3.5%. Finally, cheese usage this Summer was up 7% from a year earlier with Cheddar cheese prices averaging 3% less. During the Spring quarter, cheese usage was only up 1% from the prior Spring.

## DAIRY COW PRICES DROP

USDA's National Agricultural Statistics Service surveys producers on dairy cow prices quarterly (published in their Agricultural Prices report). The latest release was for the third quarter. Data are collected only for cows sold to be used as dairy herd replacement purposes, the national number is calculated by weighting state values by cow inventory. Nationally, for the quarter ending October 1, 2018, the average cow price was \$1230.00, a drop from the prior quarter of \$90.00 (down 7%). Year-over-year the decline was \$380.00 per cow (fell by 24%). That price adjustment reflects what producers see as the drop in the income earning potential of a purchased cow due to weak farm-level milk prices. The latest reported price was the lowest since October 1998.

Of the reported states, none had a quarter-over-quarter or a year-over-year increase in dairy cow prices. Only two states (Arizona and South Dakota) had no price change in the latest versus the prior quarter. The largest quarter-over-quarter decline was in Florida (down 12%). Year-over-year, two states had a drop of larger than 30%, Minnesota (down 33%) and Ohio (fell 31%). The smallest change compared to a year ago was 15%, which happened in three states (Arizona, New Mexico, and Texas). Replacement cow prices have adjusted much more slowly than anticipated, given the milk price environment over the last several years.