

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

December 14, 2018

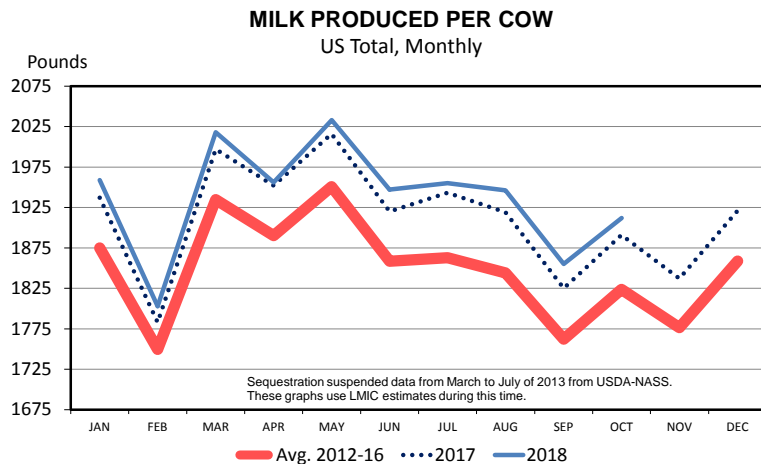
Production			Prices			
Week Ending 12/15/2018			Weekly Average (\$/Cwt)			
	Last	Year Ago		Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	654	628	Live Steer	117.00	118.11	119.71
FI Hog Slaughter (Thou Hd)	2612	2576	Dressed Steer	186.51	185.99	188.92
FI Sheep Slaughter (Thou Hd)	43	43	Choice Beef Cutout	213.11	213.43	203.00
Live Y. Chicken Sl. (Mil Hd)	164.0	163.4	USDA Hide/Offal	8.93	9.04	10.64
Slaughter Cattle Live Weight	1373	1382	GA Auction Fdr. Str. (6-7 Cwt.)	129.82	131.26	137.32
Slaughter Hog Live Weight	286	286	Iowa/S. Minn. Base Hog	46.34	47.75	56.84
Slaughter Lamb/Sheep Live Wt.	137	139	Natl. Net Hog Carcass	57.92	58.56	65.21
Beef Production (Mil Pounds)	542.1	523.5	Feeder Pigs (40 Lbs) (\$/Head)	67.62	60.89	73.37
Pork Production (Mil Pounds)	556.4	550.2	Pork Cutout	72.68	71.80	78.84
Lamb, Mutton Prod. (Mil Lbs.)	2.9	3.0	Lamb Cutout	335.40	341.62	333.92
Previous 6 Wk. Moving Avg.			Corn, Omaha (\$/Bu)	3.61	3.60	3.22
Total Beef (Mil Lbs)	529.0	520.2	Wheat, Portland (\$/Bu)	6.23	6.26	5.21
Total Pork (Mil Lbs)	537.8	526.4	Wheat, Kansas City (\$/Bu)	5.28	5.05	4.01
Total Lamb, Mutton (Mil Lbs)	2.7	2.7	Soybeans, Cntrl IL (\$/Bu)	8.73	8.81	9.54

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

Trends . . . MILK PRODUCTION SUPPORTED BY REGIONAL SHIFTS

The dairy industry is making an effort to temper production in response to lower milk prices this year. Milk prices at the farm, as reported by USDA-National Agricultural Statistical Service (NASS) during the July-September quarter were down 10% from a year earlier. That was the fourth consecutive quarter that milk prices averaged less than the same quarter in the prior year. In response to this price trend, the dairy cow herd during the summer quarter was reduced by 27,000 head compared to 2017's, or down by 0.3%.

Even though there are fewer milk cows in the U.S. than a year ago, output is still rising. Milk cow productivity is increasing at a faster pace than the reduction in cows. Milk production during the summer quarter was up 0.9% from a year earlier as cow productivity improved by 1.2%. Some of the increase is attributable to technological advances in production systems, and some is due to geographical shifts from regions with lower cow output to areas of the nation with higher per cow milk production.



Data Source: USDA-NASS
Livestock Marketing Information Center

12/10/18

The geographical issue is most noticeable between trends in the Eastern Cornbelt and Northeast when compared to the Southwest and Western states. Using data from the 23 states listed in the NASS Milk Production report, the milk cow population in the Upper Midwest (IL, IN, MI, MN, WI) and Eastern states (NY, PA, FL, VA, VT) has declined by 61,000 head from October 2017 to October 2018. Meanwhile, the milk cow population in Texas, Kansas, and

Colorado (for the most part, the eastern half of the state) has increased by 49,000 cows during the same time interval. Milk produced per cow in the eastern and mid-Atlantic region described above was 1,804 pounds per month in October 2017 and declined slightly to 1,795 pounds per month this October. These cows that were being removed from the dairy herd were being replaced by cows in the Southern Plains states that produced 1,954 pounds of milk in October 2017 and 1,990 pounds of milk this October. Reconciling the trends in just these states regarding milk production between October 2017 and this October shows a 0.9% increase. That compares to the USDA-NASS estimate of milk production for the United States over the same time period of a 0.8% increase.

LOOKING AHEAD TO THE JANUARY 1 BEEF COW INVENTORY

Heifer and beef cow slaughter levels have surged over the last year. USDA-NASS Livestock Slaughter report places total heifer slaughter under federal inspection up 7.3% above last year in data through October 2018. Beef cow slaughter under Federal Inspection (FI) in that same report is estimated to be up 10.7% above last year's. Taking a cursory look those large slaughter figures, it may seem difficult to believe that the U.S. beef cow herd could show another year-over-year gain on January 1, 2019. But, by our estimates, that is what we are expecting.

The number of beef cows that have calved has grown over the last four years adding 2.6 million head since 2014. This incredible growth pattern has led to larger calf crops, and the economics has supported retaining a large number of heifers in recent years to continue adding to that beef cow number.

Over the last 30 years, the proportion of Federally Inspected (FI) slaughter of beef cows and heifers in the previous year leading up to the January 1 inventory has been about 40%. In recent years, as the cow herd has gained momentum that proportion has fallen to 35%. This year, the number of heifers and cows that have been slaughtered as a percent of the January 1, 2018, has risen back up to 38%. That suggests a return to more normal cull rates in 2018 and a slowdown in beef cow herd growth. In years of herd contraction, that proportion climbs over 40% and is closer to 42% or 43%.

There are still two more months of slaughter data left for this year, but based on our current estimates we see the January 1, 2019, beef cow herd count will be over 31.8 million head, and will likely show very modest growth at 100.2-100.4% of a year ago.

LAMB PELT VALUE TURNS NEGATIVE

The average value of an unshorn lamb pelt has turned negative in recent weeks with the average on a weekly basis resulting in a 25 cent charge to producers per piece. This has been one of the few times in history when the pelt value was so low that processors were charging producers to dispose of them.

The high for the average premium pelt value was set in March and April this year at \$3.50 per pelt. That value persisted for more than 10 weeks. Pelt values tend to change little throughout the year, and since the high set this year it has changed less than 10 times on a per piece basis. Premium pelts have been averaging below \$1.00 since the end of July and remained at \$0.38 per pelt for 12 weeks before turning negative during November at -\$0.25 per pelt.

The latest round of deductions can be blamed on a significant decrease in demand for pelts overseas. Unshorn pelts exported this year to date (January through October) were down 13%. The primary buyer of these products is China, which represented 88% of the market share by volume in 2017. This year, Chinese purchases of unshorn pelts have fallen by 28%. Other countries have stepped into China's wake, but the amounts still fall short of the total number of pieces shipped last year. Turkey is the second largest purchaser of lamb and sheep pelts, and they have more than doubled the number of purchases this year. Year to date Turkey represents 15% of the U.S. export market share. Russia is the third largest purchaser of pelts. They, too, have increased buying and year to date are up 5,000 pelts from last year, a 31% increase.

Pelt values will continue to struggle without assistance from the export market. USDA's Agricultural Marketing Service (Market News Division) reports weekly pelt values. Producers that sell slaughter lambs direct to packers will see the disposal charge accounted in their payment breakdown. If demand does not resurface, the disposal charge could actually increase.