Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . . March 22, 2019

Production

Week Ending 3/23/2019	Last	Year Ago
FI Cattle Slaughter (Thou Hd)	631	611
FI Hog Slaughter (Thou Hd)	2508	2410
FI Sheep Slaughter (Thou Hd)	44	44
Live Y. Chicken Sl. (Mil Hd)	160.7	159.2
Slaughter Cattle Live Weight	1348	1354
Slaughter Hog Live Weight	287	286
Slaughter Lamb/Sheep Live Wt.	140	142
Beef Production (Mil Pounds)	508.9	498.8
Pork Production (Mil Pounds)	538.0	516.1
Lamb, Mutton Prod. (Mil Lbs.)	3.0	3.2
Previous 6 Wk. Moving Avg.		
Total Beef (Mil Lbs)	488.9	491.6
Total Pork (Mil Lbs)	533.1	515.0
Total Lamb, Mutton (Mil Lbs)	2.6	3.0

Prices

Weekly Average ($/Cwt)	Last	Week Ago	Year Ago
Live Steer	130.00	127.14	125.90
Dressed Steer	207.59	204.25	201.79
Choice Beef Cutout	228.95	227.70	224.18
USDA Hide/Offal	9.09	9.06	10.09
OK City Fdr. Str. (6-7 Cwt.)	160.18	152.77	156.08
Iowa/S. Minn. Base Hog	61.76	51.84	54.68
Natl. Net Hog Carcass	63.78	58.83	65.01
Feeder Pigs (40 Lbs) ($/Head)	79.30	70.05	74.56
Pork Cutout	74.92	67.92	71.40
Lamb Cutout	329.26	331.23	328.88
Cheddar, 40 lb Block($/lb)	1.62	1.61	1.57
Corn, Omaha ($/Bu)	3.70	3.63	3.49
Soybeans, Cntrl IL ($/Bu)	8.82	8.66	10.03

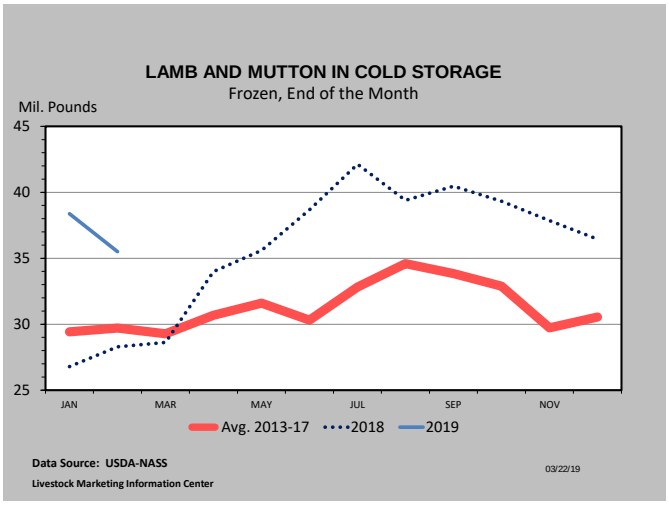
Source: Various USDA-AMS reports. Data are preliminary.

Trends . . . COLD STORAGE UPDATE

Total red meat in cold storage grew by 2% year-over-year at the end of February, and total poultry was flat, according to the monthly USDA's National Agricultural Statistics Service (USDA-NASS) report (released on Friday, March 22nd). In the dairy case, American, Swiss, and other cheese frozen stocks increased, pulling the total cheese inventory up 4%, compared to last year. Butter in cold storage declined 9% relative to a year ago.

Chicken in commercial freezers was one of the more interesting aspects of the latest Cold Storage report. Many of the products that typically go to export markets had year-over-year declines. Legs and leg quarters were both down 25%, and paws/ feet were down 6%. Wings declined by 8% year-over-year and other chicken was down by 2%. Most of the other categories continued to post year-over-year gains compared to 2018. Whole broilers were up 38%, and hen tonnage was 65% above a year ago. Both of those categories increased from the previous month by more than 7%. Drumsticks, and thighs increased to 133% and 120%, respectively over 2018.

Turkey seasonally added pounds to cold storage, particularly in whole birds. Whole birds increased 48.4 million pounds from last month, which was in-line with normal seasonal tendencies. Total turkey was up 16% from a year ago, including gains in breast meat, other turkey, and unclassified products.



Lamb and mutton eased off their very burdensome frozen stock levels decreasing 2.9 million pounds from January. Still frozen lamb and mutton remained 26% above February 2018.

Total beef in cold storage declined 30.9 million pounds from January but was still 4% above 2018's. Pork in cold storage was up 1% overall, with several categories increasing relative to last month and compared to last year.

Pork butt is the category increasing the most, totaling 25.3 million pounds, rising nearly 5 million pounds from last month and up about 2.5 million from last year. Only one category of pork posted a month-over-month drop -- variety meats. Variety meats are still above a year ago by 5%, but January to February had a very small decline. Hams and ribs are the largest pork cuts by volume in cold storage, and they are 10% and 8% higher than last year.

DAIRY MARKET PROSPECTS IMPROVE ON BUTTER & POWDER PRICE TRENDS

Prices for butter and NFDM have posted stellar year-over-year gains so far this year. NFDM (NFDM) prices averaged 99.22 cents per pound in February versus 72.17 cents a year earlier. Butter prices in February averaged $2.2659 per pound, 14 cents higher than February 2017. Consequently, Class IV milk prices averaged $15.86 per cwt. for February, the highest since September 2017, and was higher than any Class III (milk for cheese) price since last September. The stage is set for the USDA-NASS to estimate of milk prices at the farm above $17 per cwt in February, and the high $17's in March.

The key economic underpinning for the current price situation has been a recovery in global milk powder prices and strong consumer demand for butter in the U.S. market. Milk powder prices in Western Europe were in the mid-90 cent per pound range at the start of the year after averaging 84 cents in the last quarter of 2018. The mid-90 cent value compares with 75 cents in the first quarter of 2018. Rising world milk powder values supported an 18% jump in U.S. exports of milk powder in 2018. Inventories of NFDM in the U.S. at the end of January were down 10% from a year earlier, firming up the pricing power of NFDM suppliers to start 2019.

U.S. butter usage during 2018 was up 2% from the previous year, but finished the year strongly, gaining 6% from the last quarter of 2017 based on calculations by USDA's Economic Research Service. Butter production in January was up 4% from a year earlier, but usage was good enough to keep domestic inventories from building as much as they usually do during January. Compared to a year ago, butter inventories at the end of February were down 9%, which should provide support for a normal seasonal increase in butter prices for the coming quarter. Butter prices in the spring quarter of 2017 and 2018 increased by about 15 cents per pound, so butter prices this spring in the $2.40-$2.50 range should be expected, which compares to a $2.34 average last spring.

Estimated U.S. milk production in February was only up 0.2% from a year earlier because the milk cow herd declined 80,000 head from 2018's. Prospects for higher milk production will be limited in coming months, and limit gains in butter production, thereby supporting higher butter prices.

COMMENTS ON U.S. CROPS -- FLOODS, PROSPECTIVE PLANTINGS, ETC.

Portions of major crop growing areas, especially in the upper Missouri and Mississippi river basins (i.e., Nebraska, Iowa, and Minnesota) have faced record early spring flooding this year. Floods in eastern Nebraska have been front-page news. In the Midwest, the normal corn planting timeframe in many areas still over one month away. Nationally, compared to the Western Corn Belt (e.g., Nebraska), less attention has been paid acres that are currently too wet for planting, especially in the Mississippi Delta, where corn planting season has commenced. Fewer acres of corn may be planted in that area than expected just a few weeks ago. In contrast, corn panting in Texas has largely proceeded normally. As planting season progresses, wet soils may cause shifting of some planned corn acreage to soybeans.

Fortunately, in years like this, the sequence of rigorous (sound statistically based) standard growing season crop surveys and unbiased reports provided by USDA-NASS are critical for market participants to cope with unusual developments. For corn and soybean prices, at the national level, the industry will focus on three aspects: 1) plantings, 2) proportion of planted acreage harvested for grain (e.g., planted area that is abandoned can increase with growing season flooding in the Midwest); and 3) yield per acre. The first report will be Prospective Plantings (released March 29th). Those surveys were conducted during the first two weeks of March, so do not reflect very recent developments.

Taking a brief look at intended national plantings versus actual acreage seeded in the past two primary flood years – 2011 and 1993 (1993 was significantly worse with Spring flooding plus devastating growing season flooding). However, note that the balance of this year Midwest crops could be different than those years due to relative crop prices, etc. In 2011, the corn area planted was about 240,000 acres below the prospective indication (down 0.3%), while soybean acreage was down 1.6 million acres (dropped 2.0%). In 1993, the difference (actual plantings minus prospective survey) was a corn drop of about 3.25 million acres (-4.3%), and a soybean increase of 785,000 acres (up 1.3%).