

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

April 5, 2019

Production			Prices			
Week Ending 4/6/2019	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	621	615	Live Steer	124.43	126.34	116.73
FI Hog Slaughter (Thou Hd)	2458	2333	Dressed Steer	204.03	205.60	187.74
FI Sheep Slaughter (Thou Hd)	42	44	Choice Beef Cutout	226.48	228.20	217.41
Live Y. Chicken Sl. (Mil Hd)	161.3	158.7	USDA Hide/Offal	9.18	9.17	9.98
Slaughter Cattle Live Weight	1340	1349	OK City Fdr. Str. (6-7 Cwt.)		162.60	152.38
Slaughter Hog Live Weight	287	287	Iowa/S. Minn. Base Hog	76.53	74.85	45.69
Slaughter Lamb/Sheep Live Wt.	141	131	Natl. Net Hog Carcass	76.68	72.99	58.80
Beef Production (Mil Pounds)	497.2	500.7	Feeder Pigs (40 Lbs) (\$/Head)	95.40	86.96	69.11
Pork Production (Mil Pounds)	526.5	501.4	Pork Cutout	81.64	81.09	69.60
Lamb, Mutton Prod. (Mil Lbs.)	2.9	2.9	Lamb Cutout	331.35	333.99	330.84
Previous 6 Wk. Moving Avg.			Cheddar, 40 lb Block(\$/lb)	1.60	1.60	1.60
Total Beef (Mil Lbs)	494.1	494.2	Corn, Omaha (\$/Bu)	3.57	3.64	3.69
Total Pork (Mil Lbs)	531.6	513.2	Soybeans, Cntrl IL (\$/Bu)	8.79	8.59	10.14
Total Lamb, Mutton (Mil Lbs)	2.8	3.0				

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

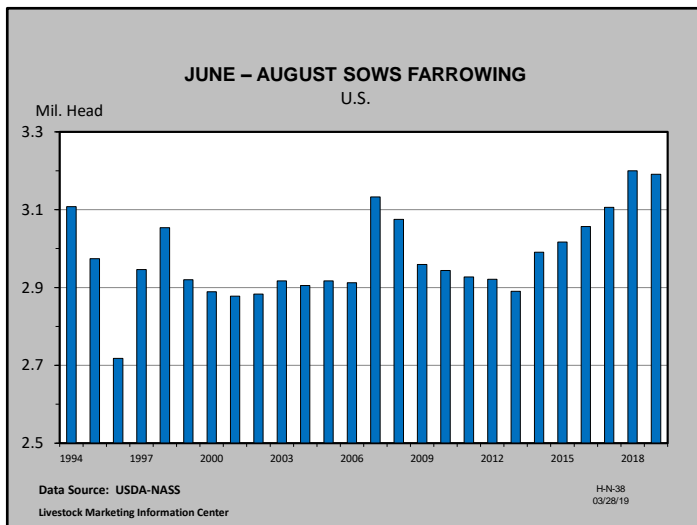
Trends . . . MARCH 1 HOG HERD METRICS

As of March 1st, USDA's National Agricultural Statistical Service (NASS) estimated the U.S. hog population increased in-line with market expectations. All hogs were 2% above a year ago, composed of similar percentage increases for breeding and market hogs. The December 2018-February 2019 pig crop increased by 3% from a year earlier with sows farrowing up 2% and pigs per litter up 1%. Intended farrowings for the March-May quarter were pegged to be up 1% from a year earlier, and June-August farrowing intentions were close to unchanged from the same months in 2018. Realized farrowings in the December-February quarter came up short of stated producer intentions at the start of the quarter by 26,000 sows. That was the most significant shortfall in at least two years, but it should not be surprising given the financial losses for hog producers during the last half of 2018.

Hog prices during the just completed December-February quarter were relatively stable

with the average month to month change of only \$4 per cwt. on a carcass weight basis. That was the tightest price variation within a quarter since a year earlier with monthly price variation in the prior three quarters averaging above \$10. This is notable because average hog prices last month increased by \$9 from February. In March 2018, hog prices declined \$10.

All hog markets are being stoked by the potential for unprecedented pork exports to China due to the African Swine Flu (ASF) epidemic in that country. Hog futures prices for the summer months



recently pushed above \$100 per cwt. (the record high price for July hog futures was in July 2014 at \$134). The \$9 increase in hog prices during March was not enough to push hog production back into positive profitability for the entire January-March quarter. Farrowing intentions for the March-May quarter increasing by only 0.6% from a year earlier when March 1 breeding hog inventories were up 2.2% is consistent with the recent profitability in late 2018 and the first two months of 2019.

In March, farrow-to-finish hog producers should have posted a profit given the rise in hog prices. If cash hog prices follow the euphoric profile set out by the hog futures market, hog production profitability during the spring quarter may be the best in several years. That would be the catalyst leading June 1 farrowing intentions for the June-August quarter to increase by 1.0% to 1.5% from the March 1 stated intentions of a 0.3% decline. Sustained hog price increases through June might lead to actual June-August farrowing increasing by 2-3% from the same quarter in 2018

U.S. MEAT GOAT TRENDS

The U.S. goat market warrants attention, but total meat goat inventory has struggled to rebuild to the levels seen pre-recession. The highest meat goat inventory reported was on January 1, 2008, at 2.6 million head. Since then inventories have been declining and in the most recent five years have been close to 2.1 million animals. Some states have seen significant increases in their meat goat population. The January 1, 2019 meat goat inventory by USDA-NASS reported year-over-year gains of 10% or in Arizona, Florida, and Washington. An additional six states had increases of 5% to 10%.

Goat slaughter has been on the rise. Annually, total commercial goat slaughter rose 3.3%, in 2018, which followed 2017's 3.5% annual gain. The increase was the result of more volume going through Federally Inspected (FI) plants, and less slaughter coming from other channels. Goat slaughter from non-FI channels declined 15% in 2017 compared to 2016 and was down 5% year-over-year in 2018. In contrast, FI slaughter was up 9% and 5% in those same years. Non-FI slaughter has been a significant portion of commercial slaughter in years past, falling in the range of 22-23% of commercial slaughter. The last two annual totals have been below 20%.

USDA-NASS surveys put total meat goat inventory levels slipping for the last two years. The number of market goats and kids as a proportion of the number of does reported as of January 1 was the largest since the report began in 2006. This increase in kidding percentage could be pointing to structural change in the industry, through greater commercialization and larger flocks. Early in 2019, these slaughter growth trends are continuing. Aggregated January and February data show FI goat slaughter was up 6% from 2018's, and commercial slaughter increased by 9%. These early indications imply higher kidding percentages are likely continuing. Increases in meat goat inventory could factor into 2019, as well.

THE BALANCE OF THIS U.S. CATTLE INVENTORY CYCLE MAY BE UNUSUAL

From one bottom to the next, the last 7 U.S. cattle inventory cycles have averaged 11.9 years (from 10 to 15 years). The most recent low point was the January 1, 2014 count (all cattle and calves totaled 88.5 million). After five consecutive years of cyclically larger U.S. cattle numbers (beginning with the January 1, 2015, count by NASS), the next few years of the current cycle may be unusual. The largest annual increase in the total U.S. cattle count occurred with the January 1, 2017 count (increased 2.7% year-over-year) and the biggest yearly gain in cow numbers was as of January 1, 2016 (up 3.1%). Since then annual growth rates have been moderating. At 94.8 million cattle, the January 1, 2019 inventory was the largest since 2008. The last cyclical peak was 2017's count (96.6 million cattle and calves).

Into 2019, the build-up phase of the current cycle could be classified as "typical" when measured against history. That is, since the late 1970s, the number of years of national herd growth (5 to 7 years) was normal, and the peak will most likely be less than that in the prior cycle. However, based on recent economic trends, the next few years, the flattening and then liquidation phase of the cycle (5 to 8 years), looks to be somewhat unusual. The LMIC forecasts that the herd as of January 1, 2020, will be about unchanged year-over-year. But the next few years may have only a slight to negligible downturn in cattle numbers.

This assessment is based on the economics of cow-calf production. Even though cow-calf returns are dramatically below a few years ago, most producers are not faced with financial stress to force substantial breeding herd reductions. That is a contrast to most recent cattle cycles. In several areas of the U.S. drought, floods, and/or brutal winter weather has impacted and could continue to ratchet-down cowherd numbers. But the economics suggest the most modest cyclical herd downturn since the 1958-67 inventory cycle.