

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

May 24, 2019

Production			Prices			
<b>Week Ending 5/25/2019</b>	Last	Year Ago	<b>Weekly Average (\$/Cwt)</b>	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	641	651	Live Steer	115.79	116.65	110.06
FI Hog Slaughter (Thou Hd)	2325	2291	Dressed Steer	184.71	185.87	178.33
FI Sheep Slaughter (Thou Hd)	44	41	Choice Beef Cutout	220.64	220.23	229.34
Live Y. Chicken Sl. (Mil Hd)	166.9	164.1	USDA Hide/Offal	8.29	8.32	9.49
Slaughter Cattle Live Weight	1323	1315	OK City Fdr. Str. (6-7 Cwt.)	158.36	161.13	152.09
Slaughter Hog Live Weight	287	284	Iowa/S. Minn. Base Hog	81.55	82.96	64.78
Slaughter Lamb/Sheep Live Wt.	130	143	Natl. Net Hog Carcass	84.00	83.58	71.40
Beef Production (Mil Pounds)	511.7	517.3	Feeder Pigs (40 Lbs) (\$/Head)	75.48	82.06	48.83
Pork Production (Mil Pounds)	499.0	485.5	Pork Cutout	84.86	87.02	75.35
Lamb, Mutton Prod. (Mil Lbs.)	2.9	2.9	Lamb Cutout	344.98	337.46	335.89
<b>Previous 6 Wk. Moving Avg.</b>			Cheddar, 40 lb Block(\$/lb)	1.70	1.70	1.68
Total Beef (Mil Lbs)	522.6	515.0	Corn, Omaha (\$/Bu)	3.75	3.72	3.84
Total Pork (Mil Lbs)	505.8	499.6	Soybeans, Cntrl IL (\$/Bu)	7.95	8.11	10.20
Total Lamb, Mutton (Mil Lbs)	2.8	2.8				

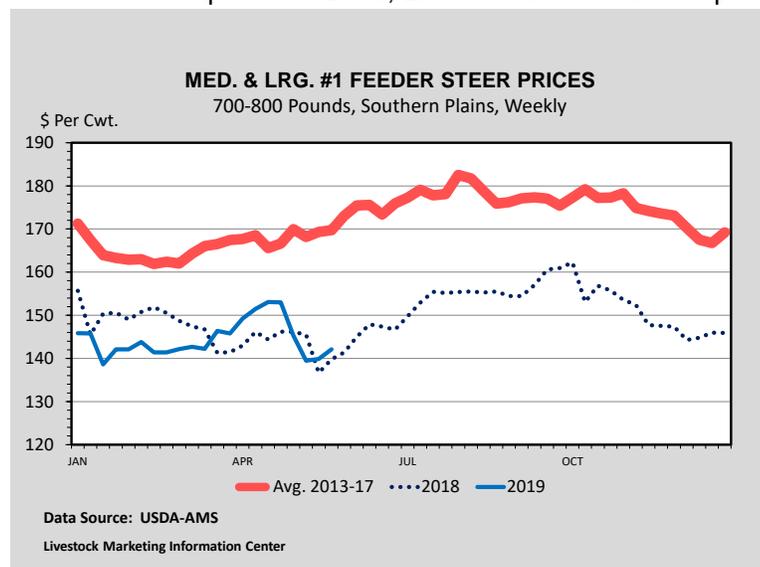
*Source: Various USDA-AMS reports. Data are preliminary.*

## Trends . . . CATTLE MARKETS AND SECOND-HALF '19 OUTLOOK

U.S. cattle slaughter for the first quarter of 2019 was slightly above a year ago (up 0.7%, while tonnage produced was 0.8% below 2018's). The year-over-year increase was due to larger heifer and cow (beef and dairy) harvests. Production declined because of lower dressed weights for steers, heifers, and cows. For the second quarter, LMIC projects more production than a year ago (rising 1.8%).

So far this year weekly cattle prices have bounced from above to below a year ago (the average was lower), except for cull cows which have been consistently weaker. The first quarter posted lower prices compared to 2018's. In that quarter, the fed steer price (5-market reported by USDA's Agricultural Marketing Service) only slipped slightly (-0.1%). In the Southern Plains, compared to a year earlier 700-to 800-pound steers were down by \$5.76 per cwt. (slipping by 3.9%), and 500-to-600-pound steers were \$171.41 a decline of \$8.60 per cwt. (down 4.8%). In the second quarter, the projections are for prices to average slightly above 2018's – fed animals up about 2% compared to 2018's, and both 700-to-800-pound and 500-to-600-pound steers 1% higher.

In the third quarter of 2019, LMIC forecasts U.S beef production at 3.5% to 4.0% above '18 (note: there is



one more slaughter day in 2019 versus 2018). Domestic beef demand is expected to remain rather strong and exports may climb above 2018's, in contrast to the decline posted for the first three months of this year. LMIC forecasts that in the third quarter (July-September) fed steer prices will average \$112 to \$115 per cwt. (up just over 3% year-over-year). Feeder steers (700-to 800-pound) are expected to be 3% to 4% below 2018's \$155.99 per cwt., and 500-to-600-pound steers unchanged to 1% higher.

The fourth quarter forecast is a 1% year-over-year gain in U.S. beef output and bigger exports. Compared to 2018's, fed cattle prices may be higher (up 1% to 3%), 700-to-800-pound steers flat, and calves unchanged to 4% stronger.

## MILK COW NUMBERS RECEDE, DAIRY PRICES STEADY TO UP

The dairy herd posted a 1,000 head decline during April, following 17,000 head decline in March, according to the USDA-National Agricultural Statistical Service (NASS). Milk production was close to unchanged (+0.1%) from a year earlier during April, after a 0.6% decline in March. Cow productivity rebounded to a 1% increase year-over-year, after a paltry half percent increase in March.

This year started out encouraging as fluid milk product sales were only down 0.6% in January from a year earlier. But, fluid milk product sales trends finished the winter quarter on a weak note with March volume down 4.7% 2018's, that was the biggest year-over-year monthly drop since last September. The average fluid milk product sales volumes were down 2.5% from the same quarter in 2018.

Production of butter, powder, and cheese during the first quarter paralleled the trend of milk production that was little changed from a year earlier. Butter and milk powder production was down 1% from a year earlier during the January-March interval and cheese production was unchanged. American-type cheese production declined about 1% while other types of cheese production (mostly Italian-types) was up 0.5%.

Prices for milk destined for the cheese market (Class III) averaged \$14.30 per cwt. during the first quarter compared to \$13.87 a year earlier. The cheese market has been where most of the excitement has been in the dairy market in the last three months, as the Class III price increased by close to \$1 per cwt in both March and April. Weekly cheddar cheese price quotes have settled down in recent weeks, suggesting that Class III milk price in May may not extend the recent up-trend.

Wholesale butter prices were static during the first four months of 2019, in a range between \$2.25 and \$2.28 per pound on a monthly basis. Prices in May came alive, ticking up close to 10 cents above the range of the first four months. Inventories of butter in cold storage at the end of April were down 5% from a year earlier, compared to only being down 1% from a year ago at the start of April. Rising prices in May could be an indication that butter inventories have continued to slip.

Wholesale non-fat dry milk prices have shown the same stability as butter during the first four months of the year, ranging from 97 to 99 cents per pound on a monthly average basis. Those prices were 37% higher than a year earlier and 9% higher than the last quarter of 2018. Milk powder exports were up 18% from 2017 to 2018 and the rising prices may be having an effect on exports. Milk powder exports in March were 9% lower than in March 2018 and for the first quarter exports fell 10%.

The USDA-NASS estimate of milk price received by farmers in March (latest data) was \$17.50 per cwt. At the end of 2018, this price was \$16.60 per cwt and a year earlier the price was \$15.70. The rise in Class III milk prices during April mentioned above should support a small increase in the April "all" milk price received by farmers, to be reported by USDA-NASS at the end of this month. Beyond that, the slight increase in butter and powder prices so far in May and stable cheese prices suggest the May farm milk price will be similar to April. Prospects for the summer months may hinge on the demand for cheese and fluid milk sales volumes that can hold up within 1% to 2% of a year ago. With milk production this summer quarter similar to a year ago (fewer cows in the herd offset by improving trends in per animal cow production), modest gains in cheese use suggests an all milk price about \$18 per cwt., well above last year's \$16.00.

## BEEF IN COLD STORAGE TUMBLES

Beef in cold storage fell another 21 million pounds in April from the previous month's figure of 451 million. This is the lowest cold storage number since June of 2017. Seasonally, beef in cold storage typically declines in the first 5 months of the year and remains there through the summer quarter before inventories build again in September through the end of the year. Another decline in May might take inventories back to the lowest levels since 2014. These smaller levels in cold storage point to several positive signs for the beef industry.

As supply continues to climb, demand appears to be working through those higher slaughter numbers as well as eroding relatively high cold storage figures that built up last year. Last year, beef exports saw record high levels, but there was still enough beef on the market to enlarge cold storage inventory. The opposite has been true this year. Cold storage inventories have been falling more aggressively and first quarter exports of muscle cuts saw a pullback in interest from international buyers (down 5%).

Cold storage though, tends to be mostly boneless products (over 92% in April), while cuts of beef represented a much smaller proportion. Beef cuts in cold storage climbed month-over-month in April, while boneless beef declined 26 million pounds. We believe this points to greater consumption in the domestic market. Grilling season has begun, albeit slowly, and a healthy economy provides strong incentives for beef demand to be robust. The boxed beef cutout was elevated for the first 5 months of the year but has since started to fall. The cold storage report remains a rearview mirror type of report, and the cutout may be a leading indicator of demand weakness later in the year. Still, tightening cold storage stocks will put beef supplies in a better place to ride out the balance of this year.