

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

July 26, 2019

Production			Prices			
Week Ending 7/27/2019	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	651	640	Live Steer	115.43	113.02	111.73
FI Hog Slaughter (Thou Hd)	2362	1999	Dressed Steer	183.77	183.00	176.22
FI Sheep Slaughter (Thou Hd)	34	37	Choice Beef Cutout	213.09	213.11	204.83
Live Y. Chicken Sl. (Mil Hd)	167.9	164.4	USDA Hide/Offal	8.88	8.74	9.05
Slaughter Cattle Live Weight	1322	1332	OK City Fdr. Str. (6-7 Cwt.)	154.62	152.82	158.97
Slaughter Hog Live Weight	281	277	Iowa/S. Minn. Base Hog	82.08	72.55	65.57
Slaughter Lamb/Sheep Live Wt.	131	138	Natl. Net Hog Carcass	79.30	74.95	74.52
Beef Production (Mil Pounds)	521.0	517.8	Feeder Pigs (40 Lbs) (\$/Head)	50.11	47.77	23.41
Pork Production (Mil Pounds)	497.7	414.0	Pork Cutout	82.18	76.06	77.96
Lamb, Mutton Prod. (Mil Lbs.)	2.2	2.6	Lamb Cutout	348.81	354.58	336.69
Previous 6 Wk. Moving Avg.			Cheddar, 40 lb Block(\$/lb)	1.86	1.85	1.56
Total Beef (Mil Lbs)	516.3	511.0	Corn, Omaha (\$/Bu)	4.28	4.33	3.45
Total Pork (Mil Lbs)	491.8	451.0	Soybeans, Cntrl IL (\$/Bu)	8.86	8.86	8.56
Total Lamb, Mutton (Mil Lbs)	2.4	2.5				

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

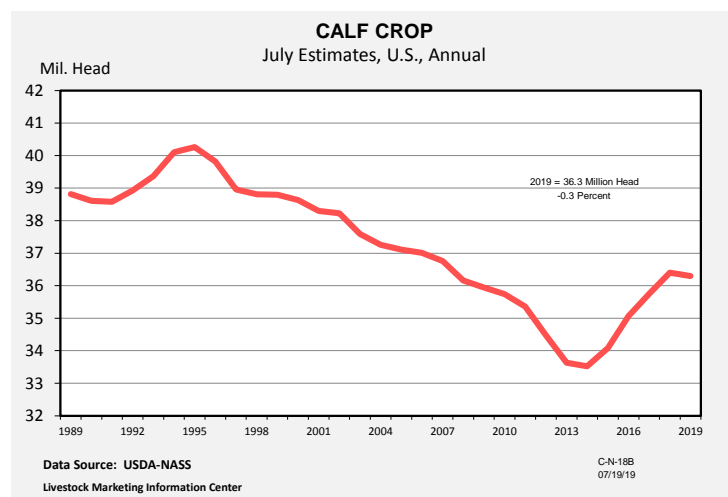
Trends . . . U.S. MID-YEAR CATTLE NUMBERS

On July 19th, USDA's National Agricultural Statistics Service (NASS) released the July 1, or mid-year, Cattle Inventory report. Overall, the report signals that perhaps expansion of the U.S. cattle herd has stopped. The all cattle and calves and beef cow inventory numbers remained unchanged year-over-year at 103 million and 32.4 million head, respectively. Beef cow replacement numbers are down 4.3% to 4.4 million head while other heifers (i.e., those in feedlots) grew to 7.9 million head, a 5.3% rise from a year ago. Dairy cows (9.2 million head) and dairy cow replacements (4.1 million head), declined 1.1% and 2.4%, respectively. The number of steers 500 pounds and over rose 1.4% to 14.7 million head while bulls 500 pounds and over remained unchanged at 2.1 million head. In the first estimate by NASS, the 2019 calf crop was pegged at 36.3 million head, a modest decline from 2018's. Although this is a mid-year calf crop estimate, the forecast was in line with expectations.

A slightly lower calf crop helps set the stage for steer slaughter into the second half of 2020 and possibly early 2021. Cow and heifer slaughter will be more difficult to forecast, but in general,

both are expected to decline fractionally in 2020. Assuming normal weather conditions, the LMIC is forecasting slaughter and beef production for the remainder of 2019 to increase by 1.4% and 1.3%, respectively.

The 2020 forecast is a different story as cattle slaughter is forecast to decline marginally, less than 1%, while beef production is forecast to be up by 1.3%. Although lower slaughter numbers are expected for 2020, above normal range and pasture conditions are making forage-based backgrounding more economically attractive, especially given rising grain



prices. Available and economical forage supplies are expected to help increase average dressed weights 1.6% over 2019, by raising placement weights of animals into feedlots, leading to the forecasted (1.3%) year-over-year rise in 2020's beef production.

ESTIMATED MONTHLY CATTLE FEEDING RETURNS DIP INTO THE RED

In June, estimated monthly cattle feeding returns dipped into the red. The Livestock Marketing Information Center (LMIC) calculations showed, for feeding-out a 750-pound steer in a commercial Southern Plains feedlot, the June closeout was -\$60.66 per animal sold. Iowa State University (ISU) calculations for steers placed as yearlings and calves and sold at slaughter-weight in June were both negative, too. ISU calculated (including manure credit) that steers placed as yearlings and sold in June generated a loss of -\$39.71 per head, and animals placed on-feed as calves came in at -\$100.61. For yearlings, the LMIC calculations showed that before June, the last red ink was for September 2018, while ISU last estimated a negative profit in December 2018.

Neither the LMIC nor ISU estimates are survey-based. But they do provide indications of the direction of change. Of course, late 2018 and the first several months of 2019 many cattle feeders had much worse results than these calculations, which are based on normal weather. Very muddy feedlot conditions resulted in red ink for many cattle feeders. The baseline production systems and assumptions for the LMIC and ISU are different. Besides using different prices and costs, ISU incorporates, for example, Modified Distillers Grains in the ration, which is a common feedstuff there.

The LMIC makes projections for breakeven sales prices in coming months based on recent feedstuff costs, etc. A steer reaching market weight in July (placed at 750-pounds) has an estimated breakeven sales price of about \$111.25 per cwt. August's breakeven level is projected to be similar to July's. So, closeouts for July and August are likely to bring more red ink. If feedstuff costs do not skyrocket, cattle feeders are expected to generally breakeven or post small profits late this year. In the situation where corn cost is already locked-in, November breakeven sales price is in the range of \$105.50 to 106.50 per cwt., and December is \$111.00 to 112.00. Note, that the increase in feeder cattle costs during June compared to May's was the driver that increased December's breakeven from that of November.

STEADY MILK PRODUCTION, ALLOWS DAIRY PRODUCT DEMAND TO CATCH UP

U.S. milk production during the first six months of 2019 was unchanged from a year earlier. Milk cow productivity is still improving, although the pace of improvement has slowed as the year has progressed. The U.S. dairy herd has been shrinking, with the count for June down 91,000 head from a year earlier, a 1% decline. In March, the decline from a year earlier was 100,000 head, and adjustments to milk cow numbers during April and May swung up briefly by 3,000 head. Milk production during the first three months of this year was up 51 million pounds from the same quarter in 2018 but then was down 79 million pounds for the spring quarter.

The All Milk at farm price reported by NASS averaged \$16.97 per cwt. during the first quarter, the highest since the final quarter of 2017. That price in May was \$18.00, up from \$16.20 in May 2018. The most recent monthly release of World Agriculture Supply and Demand Estimates from USDA called for these milk prices to average \$18.70 this quarter and \$19.10 this fall. On a quarterly basis, the All Milk farm-level price has not averaged above \$19 since the last quarter of 2014.

Underlying the recovery in milk prices has been resurgent demand for cheese, which has balanced against stable milk supplies. Based on calculations by USDA's Economic Research Service, domestic use of American-type cheeses during the first two months of this year's Spring quarter was up 2% from a year earlier. Domestic use of Other-type cheeses (mostly Italian-types) was up 5%. American-type cheese usage during the first quarter was also up 2% from a year earlier while Other-type cheese usage was down 1%. Improved cheese usage has driven a rally in Class III milk prices (milk used for cheese production) of almost 15% from the first to the second quarter of this year.

Cheese production has increased to satisfy the accelerated usage, with most of the gain accounted for by Other-type cheeses. Production of Other-type cheeses in April and May was 3% above a year ago. The U.S. produced about 1% less of American-type cheeses in April and May compared to the same months in 2018. American type cheeses also showed a year-over-year decline in cold storage at mid-year, which should be supportive for the wholesale cheddar cheese price outlook. Block cheddar cheese prices during the spring quarter averaged \$1.71 per pound, the highest price since the last quarter of 2016. LMIC is predicting the second half of 2019 block prices to be above a year ago.