

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

August 9, 2019

Production			Prices			
Week Ending 8/10/2019	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	645	647	Live Steer	114.11	113.82	110.98
FI Hog Slaughter (Thou Hd)	2354	2341	Dressed Steer	182.57	184.30	175.73
FI Sheep Slaughter (Thou Hd)	37	39	Choice Beef Cutout	216.04	213.96	205.91
Live Y. Chicken Sl. (Mil Hd)	172.3	168.8	USDA Hide/Offal	8.97	8.89	9.26
Slaughter Cattle Live Weight	1327	1344	OK City Fdr. Str. (6-7 Cwt.)	153.20	154.28	165.78
Slaughter Hog Live Weight	280	278	Iowa/S. Minn. Base Hog	74.61	81.72	48.11
Slaughter Lamb/Sheep Live Wt.	132	140	Natl. Net Hog Carcass	82.96	83.70	63.87
Beef Production (Mil Pounds)	518.9	527.6	Feeder Pigs (40 Lbs) (\$/Head)	35.32	49.74	24.00
Pork Production (Mil Pounds)	492.7	487.0	Pork Cutout	88.88	86.62	71.67
Lamb, Mutton Prod. (Mil Lbs.)	2.4	2.8	Lamb Cutout	348.12	343.62	329.06
Previous 6 Wk. Moving Avg.			Cheddar, 40 lb Block(\$/lb)	1.84	1.86	1.57
Total Beef (Mil Lbs)	511.1	508.8	Corn, Omaha (\$/Bu)	4.09	3.98	3.44
Total Pork (Mil Lbs)	482.8	460.3	Soybeans, Cntrl IL (\$/Bu)	8.61	8.42	8.74
Total Lamb, Mutton (Mil Lbs)	2.3	2.5				

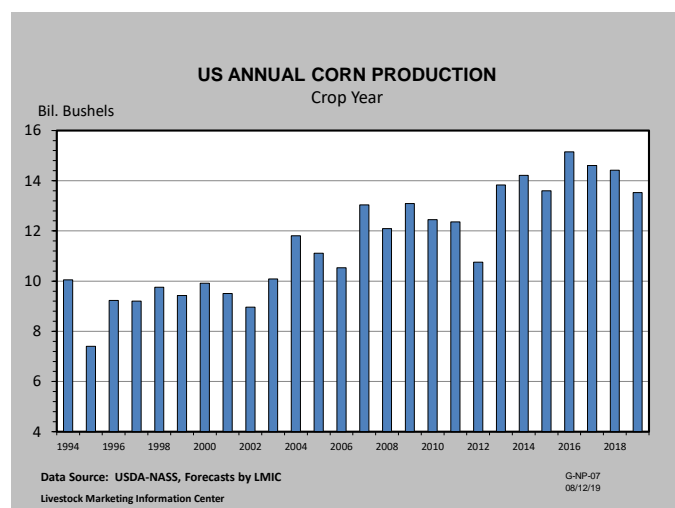
Source: Various USDA-AMS reports. Data are preliminary.

Trends . . . FARMERS PERSEVERE TO PLANT 90 MILLION ACRES OF CORN

USDA-National Agricultural Statistical Service (NASS) estimates that corn plantings this year reached 90.005 million acres, up close to one million acres from a year ago. This milestone marks the third year out of the last four that corn plantings have topped 90 million acres. Prior to 2007, corn plantings had never exceeded 90 million acres. Since 2011, plantings have only fallen short of the 90 million acre mark in two years (2015 and 2018). This year, the wettest spring since 1995 caused havoc in efforts to seed the crop, but apparently farmers were undeterred during June to make up for time lost in April and May.

The challenge for this year's crop is now focused on favorable weather conditions to reach maturity in optimal condition. Delayed planting means that the crop will have less time to develop which elevates the risks of lower average yields per acre and fewer acres of harvestable quality when combines move through the fields later this year. The initial USDA-NASS estimate for corn production based on August conditions is set at 13.9 billion bushels. The underlying assumptions for this production are an average yield per acre of 169.5 bushels (176.4 last year) on 82 million acres harvested.

LMIC is not as sanguine about production prospects based on impact of delayed plantings on crop development and chance of early frost, which leads to an average yield of 166 bushels on 81.5 million acres. As such, LMIC projects corn production to be 13.5 billion bushels this year, the smallest production since 2012, which supports an average corn price at the farm for the coming crop year of slightly over \$4 per bushel. Corn prices at the farm for the crop harvested in late 2018 will be in the \$3.60-3.70 range.



USDA \$16 BILLION TRADE-AID PACKAGE

On July 25, 2019, USDA released further details on the anticipated \$16 billion trade relief package. The relief strategy is based on the estimated impacts of the retaliatory tariffs and non-tariff barriers to U.S. agricultural exports. Three main components make up the relief package which are the Market Facilitation Program (MFP = \$14.5 billion), the Food Purchase and Distribution Program (FPDP = \$1.4 billion), and the Agricultural Trade Program (ATP = \$100 million).

The MFP payment for hog producers is \$11 per head and the payment is based on the number of live hogs owned on one day, chosen by the producer, between April 1st and May 15th. Payments are expected to be released in three separate payments. The first payment will be 50% of the producers calculated payment made in mid-to-late August. The second and third payments could be released in November and January 2020, respectively, depending on market conditions.

Iowa State University (ISU) recently released estimated returns for farrow to finish hogs which were \$24.07 per head for July. This comes off the heels of an average second quarter estimated return of \$37.58 per head while the first quarter was -\$2.95. ISU's estimated breakeven price on a carcass basis has averaged \$61.56/cwt for 2019. The LMIC is forecasting the national hog carcass price at \$75-\$77/cwt and \$65-\$68/cwt for the remaining third and fourth quarters of 2019, respectively. The LMIC price forecasts are above ISU's current average breakeven price, and with the added liquidity of \$11 per head MFP payment, U.S. hog producers should be in a good position heading into 2020.

The FPDP allows USDA's AMS to purchase nearly \$1.4 billion of surplus commodities affected by the trade retaliation. The purchased commodities will be distributed through the Food and Nutrition Service (FNS) for use in schools, food banks, and other channels. Pork is one of the commodities to be purchased, which is estimated to be \$208 million, accounting for 15.3% of the total purchases. USDA has not given any further details as to when and which type of pork cuts will be purchased through the FPDP.

The USDA AMS website on "Trade Mitigation Purchase" program indicates typical products bought were processed ham, pork (i.e. chops, loins, picnics, etc.), canned meat, and cooked products (i.e. pulled pork). Potentially product purchased by AMS could be placed in cold storage prior to final delivery. If this is the case, year-to-date cold storage data shows that total pork volumes are only 1.0% above year ago levels. Hams and loin stocks are running 7% and 11% higher than the same time period last year.

U.S. MEAT & POULTRY EXPORTS TO CHINA & VIETNAM

Exports to China are starting to heat up significantly across beef, pork and poultry sectors. Vietnam still remains a rather small player, but given the toll ASF has taken on their meat supply as well, it's a market that bears watching for the next couple of years, in addition to the Chinese market. Official trade data released August 2 by USDA-FAS showed tangible upside from African Swine Fever, that could be the turning point to seeing the long awaited projections come to fruition. Beef exports to Mainland China in June were up 73% compared to last year. On a carcass basis, the first 6 months of the year saw an increase of 540 thousand pounds over 2018, a 4.9% increase. China ranks number 11 in beef and veal muscle cuts by destination, just behind Vietnam. Vietnam beef purchases, too has seen a small increase, up 0.4% at mid-year.

U.S. pork exports to China have increased substantially this year. At mid-year the increase over 2018's volume was up 27.7%. This has entirely been driven by gains in the second quarter. First quarter exports to Mainland China were down 17.9 million pounds on a carcass weight, but second quarter purchases rose 76.7 million pounds over the prior year. March through June have shown steadily increasing volumes of U.S. pork. June was up 190%, which followed by May, up 95%. These calculations exclude purchases of variety meats and by-products. This increase in purchases makes China the fifth largest destination by volume in 2019, and is only 1 million pounds behind Canada. Vietnam continues to be a market worth watching, although a much smaller market. Year to date purchases to Vietnam are up 119% over last year.

Access to China has been restricted for U.S. poultry products due to disease concerns regarding Highly Pathogenic Avian Influenza (HPAI). Direct shipments to China have been non-existent in 2019, with the exception of 18 thousand pounds of turkey shipped in April. Vietnam is not usually a big player for U.S. poultry but there has been some increases there as well. Turkey exports for the first half of 2019 shipped to Vietnam increased nearly half a million pounds. Other chicken increased 405 thousand pounds, making it the 6th largest destination by volume in 2019. Broiler exports increased 52.8 million pounds in the first half of 2019 over 2018 figures. This brings the total for 2019 to 157.5 million pounds and the 3rd largest destination for broiler meat.

It's still unknown what the true total magnitude of ASF impacts are for the U.S. sectors of beef, pork and poultry, but June data provided a strong mid-year finish and overall notes very positive growth trend in both of these countries. Expectations are that these markets will continue to expand this year and could see unprecedented export growth next year.