

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

October 20, 2017

Production			Prices			
Week Ending 10/21/2017	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	632	602	Live Steer	109.82	111.01	99.24
FI Hog Slaughter (Thou Hd)	2485	2524	Dressed Steer	NQ	174.96	157.15
FI Sheep Slaughter (Thou Hd)	36	38	Choice Beef Cutout	198.63	197.50	179.99
Live Y. Chicken Sl. (Mil Hd)	165.9	156.4	USDA Hide/Offal	10.20	10.35	11.55
			GA Auction Fdr. Str. (6-7 Cwt.)	134.26	132.16	98.49
Slaughter Cattle Live Weight	1362	1383	Iowa/S. Minn. Base Hog	62.31	55.93	46.17
Slaughter Hog Live Weight	282	283	Natl. Net Hog Carcass	64.30	61.60	55.07
Slaughter Lamb/Sheep Live Wt.	131	131	Feeder Pigs (40 Lbs) (\$/Head)	47.78	43.14	23.46
Beef Production (Mil Pounds)	521.5	505.0	Pork Cutout	74.75	73.84	73.08
Pork Production (Mil Pounds)	523.1	532.6	Lamb Cutout	350.38	346.68	321.49
Lamb, Mutton Prod. (Mil Lbs.)	2.3	2.5				
Previous 6 Wk. Moving Avg.			Corn, Omaha (\$/Bu)	3.12	3.09	3.06
Total Beef (Mil Lbs)	526.3	508.0	Wheat, Portland (\$/Bu)	5.29	5.20	4.63
Total Pork (Mil Lbs)	526.5	509.3	Wheat, Kansas City (\$/Bu)	3.55	3.68	3.42
Total Lamb, Mutton (Mil Lbs)	2.4	2.5	Soybeans, Cntrl IL (\$/Bu)	9.57	9.67	9.49

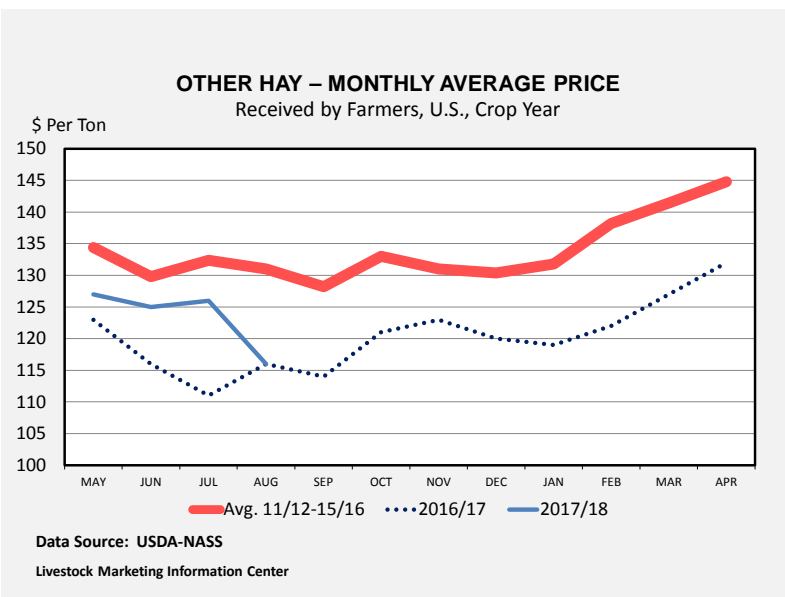
Source: Various USDA-AMS reports. Data are preliminary.

Trends . . . HAY PRODUCTION DOWN 2% BUT GRASS HAY PRICES WEAKER

USDA's National Agricultural Statistics Service (NASS) estimated that U.S. hay production would be close to 132 million tons in 2017, down 3 million tons from last year. Alfalfa hay production is pegged to be down 4%, and all other hay production is down 1%. Average alfalfa yield per acre is down 5% from a year ago, explaining all of the declines in output, as alfalfa area harvested increased 1% from 2016. As would be expected, states experiencing severe drought conditions in the Northern Plains suffered the biggest declines in alfalfa yields. North Dakota yields were down 32%, South Dakota was down 12%, and Montana was down 10%. Minnesota alfalfa yields were down 15%. Montana leads the nation in terms of alfalfa area harvested, with South Dakota second, and North Dakota having the third largest acreage harvested.

Total hay supplies for the 2017-2018 crop year (May 2017-April 2018) are down almost 2% from the prior year, given the smaller hay production this year. That matches up with a 2% increase in roughage consuming animals in the U.S. compared to 2016, due mostly an expanding beef cattle herd. Hay prices had been tracking above year-earlier values since the Spring based on the combination of less hay supply versus more animals.

Grass hay values were surprisingly weak in August, mostly due to a 25% price decline in Oklahoma, the third largest non-Alfalfa hay producing state. Grass hay prices were down 5% in Texas, the largest producer of non-Alfalfa



hay. California, Minnesota, and Ohio also recorded double-digit percentage declines in non-Alfalfa hay prices from July to August.

Carryover hay supplies from last year in Oklahoma were at the highest levels since 2008 at the end of April and tripled the inventory on hand in April 2012 when Oklahoma experienced its last drought. These large supplies, coupled with favorable weather in August for pastures in Oklahoma put pressure on hay prices even though current year grass hay production is about the same as last year. Also, alfalfa hay production in Oklahoma is up more than 40% from 2016.

Cattle producers in the Southern Plains are looking at a much-improved situation compared to a year ago. Calf prices this August were up 8% from the prior August while grass hay prices (non Alfalfa type) were 12% lower than a year earlier. The ratio of Oklahoma City steer calf prices (500- to 550-pound) to that state's grass hay prices this August was 2.61:1, compared to 2.12:1 in August 2016 and 3.69:1 in August 2015. The current forage situation is encouraging for the beef cattle industry in the Southern Plains.

Nationally, range and pasture conditions have traced a typical seasonal pattern, declining from the spring to the fall as summer heat and dryness take a toll. In 2016, range and pastures rated in good to excellent conditions at mid-year were at 59%, declining to 46% by mid-October. This year, mid-year range and pasture conditions were 57% good to excellent, with a decline of 40% in the most recent week. Recently, year-over-year improvement in range and pasture conditions in the Southeast and Southern Plains have been a counterbalance to problems in the West and Northern Plains.

GROCERY STORE BACON PRICES RECORD HIGH, OTHER MEATS STABLE

The U.S. Department of Labor's Bureau of Labor Statistics (BLS) survey of retail prices across the U.S. for September highlighted the rapid escalation of pork prices. Meanwhile, grocery store beef and chicken prices remained close to values of prior months.

A composite retail pork price is calculated by the USDA's Economic Research Service (ERS) based on the small selection of items collected and summarized by BLS. This measure of pork prices moved up 5 cents per pound from August to September or 1.3%. Most of that increase was tied to a 12 cent increase in bacon price per pound, which was the highest monthly price in at least three years. Pork chops, loin and ham product prices did not change significantly from August to September.

Grocery store bacon prices in September were up 16% from a year earlier and up 12% from three months earlier. Retail bacon price trends tend to mirror, but lag, market conditions in the wholesale market for pork bellies (the raw material used for bacon). The wholesale value of pork bellies had been under pressure in 2015 and 2016 due to record large pork production and the absence of dominating marketing efforts from the foodservice/restaurant sector or prominent branded pork product marketers. That changed early this year, with several fast food chains featuring bacon as a condiment on sandwiches or burgers, or even putting bellies on the menu as an entrée.

The ERS price calculation for all beef sold in fresh form declined from August to September by about 4 cents per pound. September's average retail chicken price slipped slightly month-over-month.

FED CATTLE MARKETINGS ARE KEY

As of October 1, NASS reported that the U.S. inventory of cattle in feedlots (1,000 and more capacity) was 5.4% above a year ago. Cattle placed during September were up 13.5% year-over-year. In September, cattle marketed by feedlots were 2.9% above 2016's. In the last two Cattle on Feed reports by NASS, the focus has been on many more animals than anticipated being placed into U.S. feedlots.

Even though the head marketed has not been a surprise, its role in the market has been key to fed cattle prices, which recently have been more than \$10.00 per cwt. above a year ago. Marketing's of fed cattle have been aggressive. There was one less slaughter day this September than a year ago, so average daily marketings were 8.0% above 2016's.

A critical result of the marketing pace has been year-on-year declines in slaughter steer and heifer dressed weights. To a large extent, the market environment has since late 2016 been pulling animals through the feeding stage of the production system, and that has driven weights below a year ago. For the last five weeks of data (through the week ending October 7th) steer carcass weights have been essentially flat and did not increase seasonally. (As a reminder, the weight declines early this calendar year also were caused by the cattle market situation and not severe winter weather.) The bottom line is, at this time a backlog of market ready cattle is not apparent.