

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

April 20, 2018

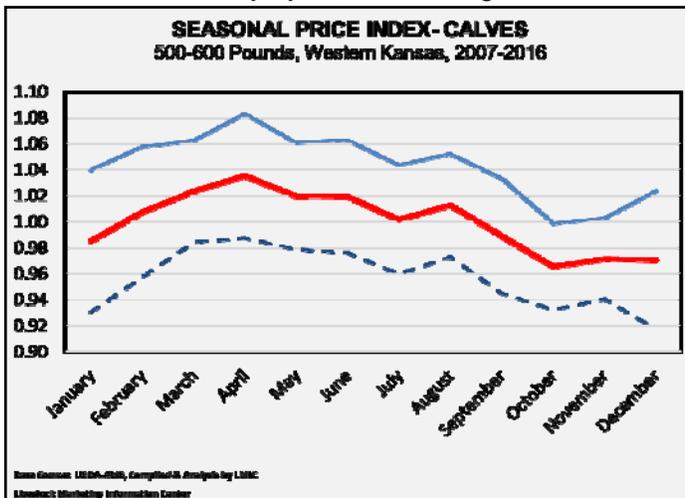
Production			Prices			
Week Ending 4/21/2018	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	624	601	Live Steer	121.31	119.49	131.60
FI Hog Slaughter (Thou Hd)	2436	2297	Dressed Steer	187.21	189.97	209.23
FI Sheep Slaughter (Thou Hd)	37	32	Choice Beef Cutout	211.78	213.34	215.63
Live Y. Chicken Sl. (Mil Hd)	159.4	160.4	USDA Hide/Offal	9.75	9.76	12.05
Slaughter Cattle Live Weight	1353	1327	GA Auction Fdr. Str. (6-7 Cwt.)	143.76	135.27	132.37
Slaughter Hog Live Weight	286	285	Iowa/S. Minn. Base Hog	55.31	48.45	54.24
Slaughter Lamb/Sheep Live Wt.	135	138	Natl. Net Hog Carcass	60.70	57.38	63.47
Beef Production (Mil Pounds)	508.5	479.9	Feeder Pigs (40 Lbs) (\$/Head)	64.59	68.22	59.08
Pork Production (Mil Pounds)	522.3	490.3	Pork Cutout	68.23	66.29	75.06
Lamb, Mutton Prod. (Mil Lbs.)	2.5	2.2	Lamb Cutout	322.74	325.97	314.01
Previous 6 Wk. Moving Avg.			Corn, Omaha (\$/Bu)	3.68	3.71	3.28
Total Beef (Mil Lbs)	495.5	479.7	Wheat, Portland (\$/Bu)	5.79	5.87	4.48
Total Pork (Mil Lbs)	512.5	490.8	Wheat, Kansas City (\$/Bu)	4.83	4.98	3.65
Total Lamb, Mutton (Mil Lbs)	2.9	2.8	Soybeans, Cntrl IL (\$/Bu)	10.24	10.47	9.37

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

Trends . . . CALF PRICE SEASONALITY AND PROSPECTS FOR 2018

Many producers now have calves on the ground, so it's a good time to discuss prices and to update marketing plans for the new-crop. Calf prices are expected to behave certain ways within a calendar year because of the seasonal production cycle. The majority of the U.S. is weaning its calves in the fall, and many of those animals head straight to market forming the 500-to 600-pound calf market and setting prices for yearly lows in the fourth quarter. Analysis of this seasonal pattern places the highest prices in March and April. LMIC has data for the Western Kansas Auction dating back to 1973, allowing for a full 40 years' worth of observation of this weight class of cattle. However, it's important to keep in mind, genetics and focused management have allowed for calves to be weaned at heavier weights. Weaning a 550-pound calf was not always the norm.

Over time this auction market has had small changes, but the latest ten years have proven quite volatile. Using the seasonal index for individual years, the 2014-2016 years set the 40-year maximum and minimum index value for October, November, and December. Beginning in 2014, the U.S. started a new cattle inventory cycle, and herd grew 0.7% in 2015, after seven years of year-over-year declines.



The following year (as of January 1, 2016), cattle numbers (all cattle and calves) jumped-up over 3%, and in that October and November seasonal indexes dipped to the lowest values in 40 years. U.S. cattle numbers had not grown that aggressively since the early 1970s. The average upcycle inventory increase is about 1.6%, and the average down cycle year-over-year change is close to 2.0%.

Currently, the U.S. is in the second longest herd expansionary phase since the cycle that began in 1976, posting four consecutive years of annual inventory growth. Larger calf crops tend to put downward pressure on prices, particularly in the fourth quarter. January of

2018 showed another 0.7% increase compared to the previous year, which would indicate that 2018 fall calf prices should be again the low price point during this calendar.

So far in 2018, prices have been to slightly higher of the where seasonal indexes would suggest, up 3.2% for the first quarter of 2018. Higher than normal prices are not expected to hold through the year. The ten-year seasonal index indicates more potential downside than upside moving through 2018.

A CONUNDRUM IN CULL COW PRICES

U.S. Federally Inspected (FI) cow slaughter has been running above a year ago, with both beef and dairy components increasing. Year-to-date (through the week ending April 13th), daily average FI cow slaughter was up 7% from a year ago with beef and dairy cow components up 10% and 5%, respectively. Nationally, cow slaughter levels are expected to remain above 2017's until mid-summer, and maybe longer.

Even with increased harvest levels, the Cutter cow cutout value has been above 2017's. That wholesale carcass equivalent value is calculated weekly by USDA's Agricultural Marketing Service (AMS). Typically, the wholesale value would increase seasonally, brought on by higher demand for ground beef. However, that wholesale value has been flat all year and has had a limiting effect on cull cow prices.

USDA-AMS, under the mandatory livestock reporting program, compiles from packers a national weekly direct cow and bull report on negotiated dressed prices (delivered to plant), it also contains a regional breakdown. The national average cull cow price so far this year has been below 2017's. Year-to-date (16-weeks), the average heavy carcass (500-pounds and heavier) price has been \$125.66 per cwt., that is down \$3.83 (3.0%) from a year earlier. The price of lighter carcasses (400- to-500-pound) also has declined, slipping \$4.19 per cwt. (-3.3%). Imports of slaughter cows, too, have been below a year ago contributing to this puzzle.

Regionally, for 500-pound and heavier carcasses, the South Central states (TX, OK, NE, KS, and CO) so far this year averaged 3.8% below 2017's. In the eastern 26 states, which are reported as a category by AMS (from Vermont to Florida to Indiana), prices declined 5.3%. The north central region (NE, WY, MT, SD, and ND) this year's price averaged down 2.3%, while the Midwest (MO, IA, MN, WI, IL) slipped 6.4%. In one region, slaughter cow prices have been higher year-over-year; that is the west (AZ, NV, UT, CA, ID, OR, and WA) where the rise was 6.9%. In May 2017, CS Beef completed construction and began operations of their new state-of-the-art packing plant. Clearly, competition for animals in that region has increased cull cow prices.

There are two keys to cull cow prices for the balance of this year; both are supply-related. First, low milk price is persisting and could increase slaughter even more than expected. Of course, drought conditions could expand this summer, causing more beef cows to be culled earlier than normal.

FED CATTLE: SUPPLY AND OUTLOOK

U.S. Federally Inspected steer and heifer slaughter for 2018's first quarter was nearly 1% above a year ago. That was a modest increase. Still, it was the largest for the quarter since 2012's. According to the Cattle on Feed report released on April 20th by USDA's National Agricultural Statistics Service, as of April 1, there were 7.4% (810,000 head) more cattle in U.S. feedlots with 1,000 head or more capacity than a year ago. That was the biggest April 1 count since 2006.

U.S. commercial beef production in the first quarter was 6.5 billion pounds (largest for that quarter since 2000), rising 2.6% year-over-year. It was bolstered by heavier cattle weights and increased cow slaughter. Supported by strong beef exports and interest in featuring beef by retailers and restaurants, wholesale beef prices remained strong (the comprehensive beef cutout value was 7.1% above 2016's first quarter). The 5-market average negotiated live steer price for this year's first quarter was \$125.61 per cwt., up 2.1% compared to a year ago.

LMIC forecasts that commercial beef production will be more than 7% year-over-year in the Spring quarter (April-June) and more than 6% higher this Summer. Beginning in April, fed cattle prices are expected to decline month-over-month into the summer quarter (July-September). On a quarterly basis, in 2017 April-June averaged \$132.67 per cwt., July-September was \$112.47, and October-December came in at \$117.88. LMIC forecasts that compared to 2017's, this year's second quarter price will be down 12% to 13%, and the final two quarters of the year may drop by 4% to 8%.