

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

October 18, 2019

Production			Prices			
<b>Week Ending 10/19/2019</b>	Last	Year Ago	<b>Weekly Average (\$/Cwt)</b>	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	642	632	Live Steer	110.96	109.21	110.05
FI Hog Slaughter (Thou Hd)	2726	2599	Dressed Steer	177.26	171.77	173.84
FI Sheep Slaughter (Thou Hd)	38	38	Choice Beef Cutout	217.93	214.12	205.74
Live Y. Chicken Sl. (Mil Hd)	174.6	163.9	USDA Hide/Offal	8.83	8.91	9.08
			OK City Fdr. Str. (6-7 Cwt.)	150.68	150.49	156.09
Slaughter Cattle Live Weight	1358	1362	Iowa/S. Minn. Base Hog	58.68	53.43	59.59
Slaughter Hog Live Weight	282	283	Natl. Net Hog Carcass	66.94	64.37	67.44
Slaughter Lamb/Sheep Live Wt.	125	134	Feeder Pigs (40 Lbs) (\$/Head)	44.47	42.58	41.21
Beef Production (Mil Pounds)	527.9	517.3	Pork Cutout	77.41	77.13	79.49
Pork Production (Mil Pounds)	574.0	547.8	Lamb Cutout	351.01	348.89	336.28
Lamb, Mutton Prod. (Mil Lbs.)	2.4	2.6	Cheddar, 40 lb Block(\$/lb)	2.03	2.09	1.68
<b>Previous 6 Wk. Moving Avg.</b>			Corn, Omaha (\$/Bu)	3.92	3.68	3.31
Total Beef (Mil Lbs)	530.9	534.0	Soybeans, Cntrl IL (\$/Bu)	9.16	9.01	8.21
Total Pork (Mil Lbs)	560.8	517.1				
Total Lamb, Mutton (Mil Lbs)	2.4	2.6				

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

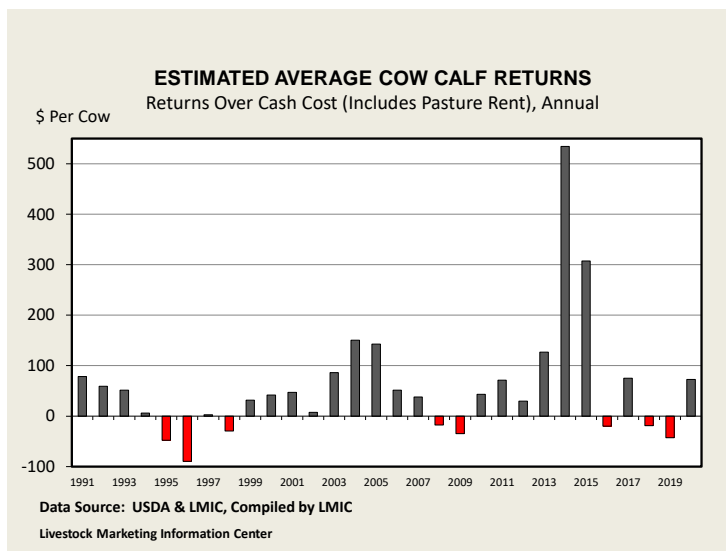
### Trends . . . 2019 BRINGS SETBACK IN COW-CALF RETURNS

Markets in 2019 have been a challenge for U.S. cow-calf producers. Mother Nature has impacted producers far and wide with blizzards at calving, flooding, and drought. Calf prices were pressured during the late Spring and early Summer months by surging corn prices. Recently, year-over-year corn prices have moderated significantly, but Omaha corn is still at \$3.92 per bushel (18%) above a year ago. The negative cattle market impacts of the Kansas beef packing plant fire also have spilled-over to the feeder cattle and calf prices. Low cull cow prices have added to the financial struggles. Overall, this year's estimated cow-calf returns over cash costs plus pasture rent for the Southern Plains is projected to be negative and the worst since 1996 (unadjusted for inflation). Three out of the last four years have been in the red.

Since the mid-1970's, the Livestock Marketing Information Center (LMIC) has estimated annual cow-calf returns based on a typical commercial full-time spring calving and fall weaning operation. The

estimates are not survey-based and are developed for market analysis purposes. They do not represent an individual ranch/farm resource base. LMIC calculations only include cash costs of production and pasture rent. Importantly, owner management, labor, etc., are not included. The returns are useful only in a general context. The LMIC uses those estimates because producer return is a key factor influencing national herd growth/contraction.

In the Southern Plains, using auction prices reported by USDA's Agricultural Marketing Service (Market News Division) through mid-October, the LMIC projected that steer calves sold in the August-November timeframe would average 5.5% to



6.0% below 2018's (down nearly \$9.00 per cwt. for a 600-pound steer). That will be the lowest since 2016. So far this year, cull cow prices averaged over \$10.00 per cwt. below 2018's and for the full year are expected to be the lowest since 2009.

This year's production costs per cow were a bit below 2018's due to reduced feedstuff usage. Still for 2019, LMIC projects that Southern Plains cash costs plus pasture rent exceeded \$850 per cow. The drivers of cow-calf profitability may be turning more favorable in the next two years. LMIC forecasts that production costs may decline some in 2020, mostly due to lower interest cost on a per cow basis. And revenue should improve if higher calf and cull cow prices materialize, as expected. Producers should be planning for cyclically higher returns in 2020 and 2021. Currently, the LMIC is forecasting typical returns over cash costs plus pasture rent (basis the Southern Plains) to be positive by \$70.00 to \$85.00 per cow.

## EARLY FALL SNOWSTORM PROMPTS EXTRA USDA CORN CROP SURVEY WORK

Corn harvest stood at 22% complete as of October 13, according to USDA-National Agricultural Statistical Service (NASS). The average for this date in the prior five years was 36%, and a year ago 38% had been combined. Delayed harvesting is not a surprise given the lateness of planting this spring due to unusually rainy (and sometimes snowy), cool weather across the Midwest in May and June. The Illinois corn harvest was only 23% complete versus 70% a year ago.

An early fall snowstorm swept across the Dakotas and Minnesota last week, threatening sizable damage to unharvested crops in those states. The Minnesota corn harvest was listed as 5% complete as of October 13<sup>th</sup> compared to the average for the last five years of 19%. South Dakota's corn harvest situation was similar to that of Minnesota. NASS announced on October 16 that they would do a special survey in North Dakota and Minnesota to see if the storm had a significant effect on their estimates of corn acres that will be harvestable. Those results will be included in their national crop production report on November 8.

The USDA-NASS estimate of corn production released earlier this month came in above market expectations. Average corn yields per acre were moved up slightly from the prior estimate made at the start of September. Corn ear counts per acre in the survey carried out around October 1 were little changed from a month earlier. Normally, there is some decline from September to October, so in the absence of a declining trend, the average corn crop yield per acre peg was nudged higher. Estimated corn production for 2019 comes in at 13.8 billion bushels, close to unchanged from the estimate that was made by USDA-NASS a month earlier, providing additional confidence in the amount of corn that will be available for livestock feed, industrial, food uses and exports in the coming year. That supply is down 4% from a year ago and 5% below 2017s, and similar in size to the 2015 crop.

The updated corn supply picture allows for some fine-tuning of feed cost price prospects for the livestock and poultry industries. LMIC is projecting a national weighted average corn price for the 2019-2020 crop year (Sept-Aug) of \$3.80 per bushel. If realized, that would be 20 cents per bushel above the just-completed 2018-19 crop year and would be the highest since the \$4.46 posted in 2013-14. This year's smaller corn harvest would usually suggest a bigger jump in corn prices, but a weakening trend in corn exports provides a counterweight. Corn exports are on track to decline by close to 10% this year, which would be the lowest export volume since the 2014-2015 crop year. Also, growth in corn used for food and industrial purposes (mostly ethanol) has faltered during the last two years.

## WHAT IS AHEAD FOR SOYBEAN MEAL COSTS

The primary ingredient providing the protein component in livestock feeds is soybean meal and the price outlook for this commodity is similar to corn, based on a smaller harvest this fall. The USDA-NASS estimate of soybean production released earlier this month adjusted soybean production down 2% from the estimate made a month earlier. This would result in soybean production declining 20% from 2018. To make up for the shortfall in production, inventories on hand September 1 (which were record large) will be utilized to produce soybean meal to satisfy livestock feed and export needs. The shrinking soybean inventories will support higher prices for soybean, as well as the products made from soybeans. The twelve months ending in August saw the national average soybean price average \$8.48 per bushel. LMIC expects soybean prices at the national level to average \$9.35 for the current crop year (Sep 2019-Aug 2020). The soybean meal price forecast for the current crop year is pegged at \$320 per ton, a modest increase from \$308 in the prior crop year given the jump in soybean prices. Soybean oil, the other primary product from processing of soybeans should see a bigger jump in price, in percentage terms, as inventories of soybean oil are relatively tighter than soybean meal. Soybean oil prices averaged 28.25 cents per pound in the last crop year and should average above 30 cents this year, the highest price in three years.