

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

November 1, 2019

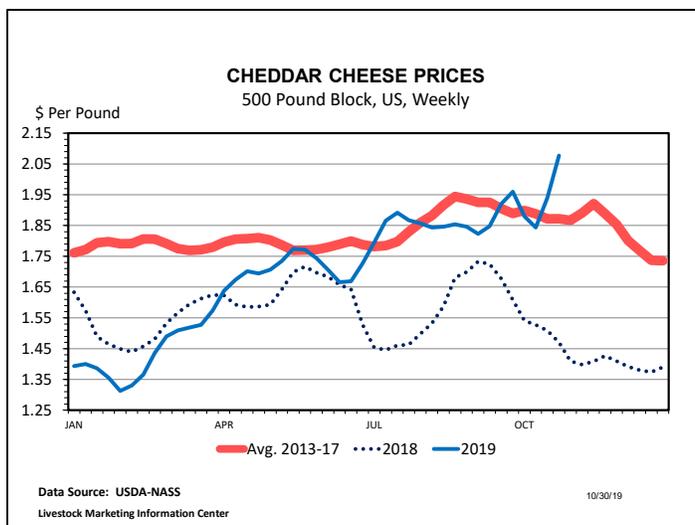
Production			Prices			
<b>Week Ending 11/2/2019</b>			<b>Weekly Average (\$/Cwt)</b>			
	Last	Year Ago		Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	655	653	Live Steer	111.91	110.13	114.95
FI Hog Slaughter (Thou Hd)	2669	2591	Dressed Steer	177.67	174.56	180.27
FI Sheep Slaughter (Thou Hd)	39	38	Choice Beef Cutout	230.78	223.08	216.67
Live Y. Chicken Sl. (Mil Hd)	172.8	164.2	USDA Hide/Offal	8.84	8.90	9.05
			OK City Fdr. Str. (6-7 Cwt.)	145.94	151.57	145.18
Slaughter Cattle Live Weight	1361	1365	Natl. Negotiated Purchase	50.40	55.45	58.05
Slaughter Hog Live Weight	284	285	Natl. Net Hog Carcass	65.32	67.34	64.61
Slaughter Lamb/Sheep Live Wt.	127	132	Feeder Pigs (40 Lbs) (\$/Head)	44.41	44.01	40.48
Beef Production (Mil Pounds)	537.5	538.2	Pork Cutout	75.98	76.15	76.34
Pork Production (Mil Pounds)	564.5	549.7	Lamb Cutout	349.83	352.19	334.13
Lamb, Mutton Prod. (Mil Lbs.)	2.5	2.5	Cheddar, 40 lb Block(\$/lb)	2.06	2.04	1.68
<b>Previous 6 Wk. Moving Avg.</b>			Corn, Omaha (\$/Bu)	3.76	3.76	3.38
Total Beef (Mil Lbs)	531.3	530.2	Soybeans, Cntrl IL (\$/Bu)	9.09	9.17	8.28
Total Pork (Mil Lbs)	566.3	537.3				
Total Lamb, Mutton (Mil Lbs)	2.5	2.6				

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

### Trends . . . CHEESE MARKET PUSHES MILK PRICE RALLY TOWARDS \$20

Cheese usage trends during the summer have outpaced milk production, stemming the expansion of cheese inventories in cold storage that had put pressure on milk prices in the last couple years. USDA-Economic Research Service (ERS) calculations on American-type cheese use in July and August showed a 3.5% increase from the same months of 2018. September usage data will not be available until mid-November. Non-American-type cheese usage (mostly Italian varieties) during those same months was unchanged from a year earlier.

Cheese processors had to bid aggressively for milk supplies needed to satisfy rising consumer usage. Class III milk prices went from \$16.27 per cwt. in June to \$17.60 in August, advancing further in September to average \$18.30. Wholesale prices for 40 pound cheddar blocks averaged \$1.79 per pound in June, jumping to \$1.88 in August, reaching a \$2.04 average in September. Weekly prices in October have been firm, rising into the \$2.10-\$2.15 range. The big surprise has been cheddar cheese barrel prices reaching \$2.25 in the week of October 25. Cheddar barrel prices normally run at a discount to block cheese prices. Cheese prices at these values should support Class III milk prices above \$19 per cwt in October. The futures contract for Class III milk prices to be delivered in November has averaged \$19.31 in October with prices topping \$20 on October 30. During the last three years, the All Milk price received by farmers, reported by USDA-National Agricultural Statistical Service (NASS), has had a price premium relative to the Class III milk price of \$2.05 per cwt in October, with a range of \$1.41 to \$2.87. Based on this price relationship, it could be expected that the All Milk price received by farmers in October should easily top the \$20



mark and possibly test \$21. The last time All Milk price received by farmers was this high was December 2014.

The cheese market is stoking enthusiasm for better times for dairy farmers, but the butter and milk powder markets could be providing a partial offset as butter prices have drifted down towards \$2.00 per pound for the first time since early 2017. Wholesale butter prices, on a monthly basis, have not averaged below \$2 since November 2016. The USDA-ERS estimate of butter use for the most recent months (July-August 2019) is down 2% from a year earlier. Inventories of butter in cold storage at the end of September were up 8% from a year earlier. Class IV milk prices (milk for the butter and milk powder markets) is trading at a \$2 discount to Class III milk.

## U.S. PORK PRODUCTION FORECAST TO CONTINUE RECORD PACE

U.S. pork production is on a record pace for 2019. The LMIC is forecasting 2019 pork production at 27.6 billion pounds, up 4.7% over 2018. Much of the growth is attributed to the impressive efficiency gains in pigs per litter which was reported at 11.11 from the latest September 1 USDA NASS Hogs and Pigs report. The number of sows farrowing has remained steady at about 6.4 million head on a quarterly basis. Looking into 2020 and 2021, sow farrowings and productivity are expected to increase. Pork production is forecast to continue on a record pace for 2020 and 2021 reaching 28.6 (up 3.8%) and 29.3 billion pounds (up 2.3%), respectively.

Much of the current questions surrounding U.S. pork markets pertain to growing foreign demand for U.S. pork products. Weekly USDA Foreign Agricultural Service (FAS) export data has recently led to more noise in the market but there is still the signal of a global shortage of pork supplies in the market due to African Swine Fever (ASF). Official monthly USDA pork export data through August is reporting 3.3% growth over last year. The LMIC is forecasting 2019 pork exports at 6.4 billion pounds (up 9.2%) with large fourth quarter shipments to Asian markets expected to materialize. For 2020 and 2021, exports are forecast at 7.0 and 7.2 billion pounds, respectively. Exports are expected to continue accounting for upwards of 25% of total U.S. pork production.

Increased pork exports coupled with steady growth in domestic consumption will support hog prices for the remainder of 2019 and into 2020 and 2021. The LMIC is forecasting base slaughter hog prices to finish out 2019 ranging from \$68-\$69 per cwt (up 6.2%) on a carcass basis. Prices will increase moderately in 2020 ranging from \$69-\$73 per cwt (up 3.6%) and 2021 is forecast at \$70-\$76 per cwt (up 2.8%).

## JANUARY 1 CATTLE INVENTORY PREVIEW

Jan. 1 cattle inventory at this early date looks to be below a year ago slightly. Dairy cow numbers have edged lower since last year and will likely post a year over year decline. The latest milk production report showed the U.S. inventory was 9.315 million head, about 30 thousand off from Jan. 1 of last year. Beef cows remains the difficult number to pinpoint. Regional cow slaughter suggests beef cows are being slaughtered at a much higher rate in most of the regions except the Southern Plains. Total beef cow slaughter through 42 weeks of the year is up 2.9%. Heifer slaughter continues to post large gains compared to a year ago. Weekly heifer slaughter year to date is up 7.3%.

One interesting note is that heifer slaughter is on pace to slaughter about half a million head more than was in the "other heifer" category in the Jan. 1 2019 report. That would indicate more heifers that were considered for replacement were pulled from the herd. The latest cattle on feed report showed 39% of the on-feed mix were heifers. This suggests that the number of heifers held for replacement for beef-type animals will also likely be below a year ago. LMIC is penciling in beef heifer replacements down more than 2%. Dairy heifers held for replacement is also expected to be below a year ago, but fourth quarter milk prices have perked up and could influence the Jan. 1 number.

Steer slaughter is more than 2% below a year ago through the first 42 weeks of the year. Reconciling the steer slaughter deficit against 2018's large 1.8% increase in the calf crop year from the previous year has been difficult. The calf crop and the number reported in steers 500 pounds and heavier both appear to be too high in last year's report. Unlike heifers, which could be held for replacements, a steer's pathway is to end up in the slaughter channel, regardless if they were fed by farmer-feeders or larger inventory feedlots.