In both the U.S. dairy and beef sectors, there has been lots of discussion during the last couple of years about producing crossbred calves, mostly Holstein cows bred to beef-type black bulls. Virtually all U.S. veal comes from calves that originated in the dairy sector. Dairy-origin (e.g., Holstein) calves also are inputs into the beef production system (typically entering feedlots at 350- to 450-pounds). There has been a long-term transition of Holstein bull calves away from veal and into the beef production system, which has periodically bolstered U.S. beef output. But that trend reversed in response to the September 2016 announcement by Tyson Foods that they would no longer harvest those animals. But more crossbreeding by dairy farms may cause shift-back to fewer calves going into veal production and more back toward beef.

One of the few leading indicators available of more crossbreeding in the dairy sector is the number of calves being harvested for veal production compared to that in prior years. For each of the 14 weeks that began 2019, Federally Inspected (FI) calf slaughter was above 2018’s. During the next 28-weeks of the year, it was a mixture of year-over-year changes in direction (10 weeks down and 18 weeks up). Then, the last 10-weeks of the year had fewer calves slaughtered than a year earlier. Some of that 10-week period of declines was due to fewer dairy cows in the U.S., USDA’s National Agricultural Statistics put the U.S. October 1 count down 0.4% (36,000 head), and November 1 slipped by 0.3% (down 27,000 head). During the final 10-weeks of 2019, FI calf slaughter dropped year-over-year by over 14,000 head (down 11.2%). The

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**Trends . . . CALF SLAUGHTER CHANGES TIED TO DAIRY HERD MANAGEMENT**

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year-over-year slip in the dairy cow herd would represent only a 2,000 to 3,000 head drop in calf slaughter for the last 10-weeks of 2019.

So far, the crossbreeding trend has been rather short-term and modest; on an annualized basis removing 35,000 to 40,000 head from calf slaughter and adding those animals to feedlots. But it may gain momentum. Currently, the LMIC forecasts record small annual calf slaughter levels by 2022.

It is unlikely that all dairy producers will move to produce crossbred steers; some regions of the U.S. could see stronger preferences for this strategy than others. Overall, the amount of interest by dairy producers is mounting, because it pencils out nicely for those with the reproductive management skills to capitalize on higher cross-bred calf prices.

DECEMBER 1 U.S. HAY STOCKS UP YEAR-OVER-YEAR

USDA’s National Agricultural Statistics Service (NASS) recently published its survey results for the U.S. hay stocks as of December 1, 2019. National and by-state data were reported. For the U.S. in total, stocks were above a year earlier (rising 5.4 million tons or by 6.9%). Still, stocks were 4.0% (3.5 million tons) below the forecast of the LMIC. The national stock was similar to two years ago (December 1, 2018). National hay disappearance between May 1, 2019 (beginning of the new crop-year) and December 1 was 59.3 million tons, that was 0.6 million tons (1.0%) less than a year earlier.

The year-over-year changes in state-level stocks largely reflected their 2019 growing season. Of the 48 reported states, as of December 1, 2019, two were unchanged from the prior year, 18 posted increases, and 28 declined. States with annual percentage increases in hay stocks of 20% or larger were Arizona, Arkansas, Kansas, Louisiana, Missouri, Montana, Nevada, New Mexico, and Utah. Four states had declines of 20% or more (Alabama, Maine, New Hampshire, and New Jersey).

RISING PORK PRODUCTION FACING-OFF WITH GROWING EXPORTS

The Quarterly Hogs and Pigs report by NASS (released December 23, 2019) showed that All Hogs and Pigs were up 3.0% to 77.338 million head. Breeding hogs were up 2.1% to 6.461 million head while sows farrowed decreased marginally by 1.2% to 3.166 million head. Pigs per litter continued to maintain strength at 11.09 which is a 3.1% improvement over last year and the primary factor to the 1.8% growth in the pig crop to 35.102 million head. Market hogs rose 3.1% to 70.877 million head as each weight category saw improvements over the prior year. The less than 50 and 50-119 pound categories grew 1.2% and 1.7% to 22.128 and 19.969 million head, respectively. Larger gains were seen in the 120-179 and 180 pound and over categories which increased 4.6% and 6.7% to 14.976 and 14.076 million head, respectively. Much of the December 1 Hogs and Pigs report was in line with pre-report estimates and points towards larger supplies moving forward.

LMIC forecasts U.S. commercial pork production for 2020 at 28.7 billion pounds, a 3.7% increase over 2019. Pork production for the first quarter of 2020 is forecast at 7.2 billion pounds (up 5.5%) with the second and third quarters, respectively, at 6.8 and 6.9 billion pounds (both up 3.2%), and the fourth quarter at 7.7 billion pounds (up 3.0%). Despite the larger forecast pork supplies both domestic and foreign demand are expected to keep supplies at manageable levels.

Like last year, U.S pork export tonnage is a fluid situation and exports did not start to materialize until the second half of 2019. LMIC is forecasting 2020 pork exports to be 7.0 billion pounds, a 13.0% increase over last year. Growing demand from Asian markets, especially China, as they seek to fill the pork supply gap left from African Swine Fever is a primary driver. Assuming domestic demand remains similar to 2019 levels with per capita consumption at about 52-53 pounds per person (retail weight) and pork production reaches the forecasted 3.7% growth, 2020 is looking to have increased exportable supplies to meet the growing foreign demand.

This begs the question of what export level is needed to absorb the forecast increase in U.S. pork production? Again, looking at per capita and assuming 2020 remains similar to the 2019 level of 52.6 pounds per person for the year then it is expected that 24.4% of U.S. pork production will need to be exported to meet the export forecast of 7.0 billion pounds. November pork exports posted a staggering 21.5% increase over last year’s level, making this the largest monthly pork export volume recorded. For the month, 25.7% of the pork produced was exported. If this rate of production continues to be exported in 2020, exports could reach as high as 7.4 billion pounds.