

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

September 11, 2015

Production			Prices			
Week Ending 9/12/2015	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	501	589	Live Steer	139.98	141.75	160.84
FI Hog Slaughter (Thou Hd)	2040	2051	Dressed Steer	220.09	222.09	249.20
FI Sheep Slaughter (Thou Hd)	32	39	Choice Beef Cutout	238.44	241.06	251.08
Live Y. Chicken Sl. (Mil Hd)	167.8	144.5	USDA Hide/Offal	12.46	12.48	16.74
			GA Auction Fdr. Str. (6-7 Cwt.)	202.11	199.62	222.29
Slaughter Cattle Live Weight	1367	1343	Iowa/S. Minn. Base Hog	67.56	71.32	102.08
Slaughter Hog Live Weight	278	283	Natl. Net Hog Carcass	73.11	75.69	99.72
Slaughter Lamb/Sheep Live Wt.	136	130	Feeder Pigs (40 Lbs) (\$/Head)	41.91	41.08	79.95
Beef Production (Mil Pounds)	418.9	482.3	Pork Cutout	85.18	85.70	105.81
Pork Production (Mil Pounds)	425.8	434.9	Lamb Cutout	325.38	326.04	335.50
Lamb, Mutton Prod. (Mil Lbs.)	2.2	2.5				
<b>Previous 6 Wk. Moving Avg.</b>			Corn, Omaha (\$/Bu)	3.54	3.45	3.37
Total Beef (Mil Lbs)	449.9	468.1	Wheat, Portland (\$/Bu)	5.38	5.29	6.76
Total Pork (Mil Lbs)	452.8	415.9	Wheat, Kansas City (\$/Bu)	4.42	4.35	5.78
Total Lamb, Mutton (Mil Lbs)	2.5	2.5	Soybeans, Cntrl IL (\$/Bu)	8.97	8.90	11.44

*Source: Various USDA-AMS reports. Some data are preliminary.*

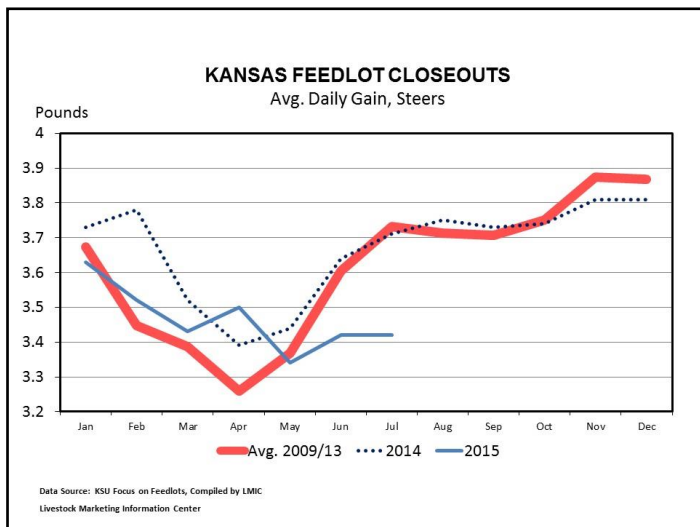
## Trends . . . KSU FEEDLOT UPDATE: ANIMAL PERFORMANCE IMPACTED

The general story when looking at Kansas State University's: "Focus on Feedlot" report is one of decreased feed efficiency due to more days on feed and feeding cattle to heavier weights. Of course, with cheaper corn costs, record high feeder costs, and previously strong fed cattle prices, the method of "feed em more for longer" made sense (at least for a while). Now, reflecting on currently softer fed cattle prices and a market where the packer has the upper hand right now, will the value of additional pounds and delayed marketings due to more time on feed be worth the extra associated costs? Feedlot closeouts with increasing red ink say no.

In July closeouts, steers were on feed an average of 176 days, up 6 days from July of 2014. Average days on feed for heifers have come back down closer to prior year levels, just 2 days longer than year ago. USDA-NASS Cattle on Feed report data

have shown all placement weight categories have been down year-over-year, except for head arriving at feedlots in the 800-pound and heavier category, which has been above year ago numbers most months of 2015 so far. KSU data also put placement weights above 2014's and they showed average final live weight of steers coming out of feedlots in July was 1421 pounds, 30 pounds heavier than 2014's. These factors are behind biologically important decreases in feed efficiency and increase in pounds of feed (dry matter) required per pound gain, which are also economically important.

Average daily gain (ADG) has been below 2014's for all months except April so far this year.



July posted an ADG for steers of 3.4 pounds, 0.3 pounds below 2014 and counter to the normal seasonal upswing from April through July. On average, steers required 6.21 pounds of feed per pound of gain in July, up 0.4 pounds compared to 2014's. Feeding cost is still the bright spot for feedlots, as corn is still relatively inexpensive and expected to stay so into this year's harvest. Feeding costs have been below those of 2014's all year, and currently sit at \$85.68 per cwt. for steers and \$89.67 per cwt for heifers, compared to \$92.79 and \$99.75 per cwt for steers and heifer, respectively, in 2014.

## FED CATTLE: GRID-BASED FORMULA DISCOUNTS INCREASE

Fed cattle sold to packers direct on a formula basis (that is not on the negotiated or cash market) have two general pricing methods. First, is a simple premium to whatever the as yet undetermined current weekly average price is, and the cattle are delivered the next week often at a premium. A realistic example would be \$2.00 per cwt. over the average USDA-AMS reported 5-market negotiated price for the prior week. Another type of formula pricing used for some animals is a schedule of premiums and discounts compared to baseline carcass characteristics, often referred to as grid pricing. A beef packer may have several different grid programs driven by the desires of their end-users.

Beef packers report to USDA-AMS premiums and discounts for their grid-priced programs. USDA-AMS compiles a weekly summary of those data into one report (USDA-AMS Market News report LM CT 169) that compliments their 5-market weekly price summary. Premiums/discounts are given in dollars per cwt. on a carcass basis; weighted averages and a range of prices are reported for several categories. The industry averages are useful, but do not reflect any specific program, nor do premiums/discounts reported by USDA apply to any particular grid offered to a cattle feeder.

Some of the major premium /discount categories are: 1) a range of carcass quality characteristics with Choice quality grade as the base (i.e. zero discount or premium); 2) yield grade of the carcass, with carcasses below Yield Grade 3 generally receiving premiums and those over that level getting discounts (i.e. discounts on Yield Grades 4 and 5); and 3) carcass weight. Typically, the premiums/discounts reported by USDA are rather stable, but recently some changes have occurred.

In September of this year, the USDA-AMS report began to show that discounts for Yield Grade (YG) 4 and 5 carcasses (those with the most fat) were increasing. Those discounts had been essentially unchanged since late June 2014. In early August the weighted average discount on YG 4 carcasses compared to YG 3's was \$8.27 per cwt, it's now \$9.27. In that same timeframe, YG 5's went from a discount of \$13.12 per cwt. to most recently \$14.74. Those YG 4 and YG 5 discount increases reflect three interrelated factors: 1) increased overall supply of market ready cattle available to packers; 2) large relative supplies of YG 4 and YG5 animals, which are mostly over-finished very heavy weight cattle, and 3) the weak wholesale prices of 50's trim, the product removed from steer and heifer carcasses during the process of making marketable beef cuts.

## PASTURE AND RANGE CONDITION UPDATE

Aside from the continuing severe drought in the West, this year most of the U.S. received exceptional levels of moisture, generating favorable and beneficial pasture and range conditions. This is especially true for cattle producers who are retaining cows and heifers. As summer has worn on however, pasture and rangeland has seasonally trended to drier conditions, as is normal.

The Great Plains region just recently recorded weekly conditions that are worse than 2014's, with 14% of range and pasture categorized in poor and very poor condition, but still much better than the 5 year average at 33% for this time of year. The Southern Plains and Cornbelt region both show a similar situation. Range conditions are still more favorable than last year in the Southern Plains, with only 22% of rangeland in poor and very poor condition compared 28% last year, and 52% for the past 5 year average. The Cornbelt most recently recorded 11% in the poor and very poor category, compared to 10% and 33% for 2014 and the 5 year average, respectively. The Northeast and Southeast are the regions that are considerably drier than 2014, the Northeast seems to have received a non-normal precipitation pattern this year, or at least the late summer moisture did not arrive on-schedule. The Southeast region is currently sitting at their 5 year average poor and very poor rate of 20%, compared to 13% last year.

As pastures continue to dry up, and depending on the availability of fall and winter wheat pasture grazing, many producers will be facing the difficult decision of when to sell their calves. LMIC expects calf prices for the balance of 2015 will remain below year ago levels, with little chance of a significant upswing. Feeder animal prices are expected to continue eroding well into 2016.