Daily Livestock Report

Sponsored in part by CME Group

Vol. 18, No. 18 / January 28, 2020

USDA released the official statistics for the month of December last week and with that we are able to calculate the production numbers for all of 2019. Understanding annual production trends relative to the supply base allows market participants to gauge direction and adjust their ideas of supply potential for 2020. It is also interesting to contrast the final production data for the year with the estimates that were put forth at the start of 2019 and understand the reasons for any divergence in the numbers:

Cattle Slaughter/Beef Supply in 2019: December commercial cattle slaughter was estimated at 2.751 million head, 6.6% higher than a year ago. When adjusted for the extra marketing day, slaughter was 1.5% higher than last year. The increase was entirely due to more heifers coming to market, something that was a theme for all of 2019. Steer slaughter in December was 1.291 million head, 3% higher than last year but 1.9% lower if we adjust for the difference in marketing days. Heifer slaughter, on the other hand, was 832,200 head, 10.4% higher than a year ago. For all of 2019, steer and heifer slaughter was 26.117 million head, 1.2% higher than a year ago. Steer slaughter last year was 16.298 million head, 339,000 head or 2% lower than the previous year. Heifer slaughter was 9.819 million head, 652,000 head or 7.1% higher than the previous year. At the start of 2019 there was broad expectation that we would see more cattle and thus higher beef production for the year. In December 2018, USDA pegged beef production for 2019 to increase by 846 million pounds or 3.1%. The forecast likely included an expectation that slaughter numbers would increase somewhere around 2.5% and higher carcass weights would contribute the rest. **The final results for 2019 indicate that the number of animals coming to market in 2019 was not as large as previously thought, possibly suggesting a smaller crop from previous years**. Indeed, the only reason why slaughter was higher last year is because **producers opted to send more females to market rather than keep them in the herd**. Total beef production last year was 27.151 billion pounds, about 279 million pounds or 1% higher than in 2018. Federally inspected beef production from fed steers was 14.312 billion pounds, 326 million pounds or 2.2% lower than last year. Production from fed heifers was 7.987 billion pounds, 501 million pounds or 6.7% higher than the previous year. Cow meat production was also higher last year as producers send both more beef and dairy cows to market. Total cow slaughter last year increased by 237,000 head and cow meat production was up 115.4 million pounds or 2.9%. The calf crop for 2019 was estimated in July to be down 0.3% and some analysts think that is on the lower end of the range. If the calf crop for 2018 was overstated, chances are the crop for 2019 was smaller yet. While higher female slaughter may help bolster beef supplies in the short term, as was the case in 2019, long term it points to fewer pipeline beef supplies and higher prices.

Data table for 2019 Beef and Pork Slaughter/Production

Data source: USDA-NASS. Analysis by Steiner Consulting

		2017	2018	2019	2019 vs. 2018		2019 vs. 2017	
Cattle/Beef					ch.	%	ch.	%
FI Steer Sltr	mil head	16.77	16.64	16.30	-0.34	-2.0%	-0.47	-2.8%
FI Steer Prod	bil. lb.	14.71	14.64	14.31	-0.33	-2.2%	-0.40	-2.7%
FI Heifer Sltr	mil head	8.61	9.17	9.82	0.65	7.1%	1.21	14.0%
FI Heifer Prod	bil. lb.	6.99	7.49	7.99	0.50	6.7%	0.99	14.2%
FI Cow Sltr	mil head	5.77	6.18	6.41	0.24	3.8%	0.64	11.1%
FI Cow Prod	bil. lb.	3.71	3.99	4.10	0.12	2.9%	0.39	10.6%
Comm. Catte Sltr	mil head	32.19	33.00	33.55	0.55	1.7%	1.36	4.2%
Comm. Beef Prod	bil. lb.	26.19	26.87	27.15	0.28	1.0%	0.96	3.7%
Hogs/Pork								
B&G Stlr	mil head	117.19	120.31	125.84	5.54	4.6%	8.65	7.4%
B&G Prod.	bil. lb.	24.49	25.22	26.53	1.32	5.2%	2.05	8.4%
Sow Sltr	mil head	2.95	3.01	3.01	0.00	-0.1%	0.06	2.0%
Sow Prod	bil. lb.	0.91	0.92	0.92	0.00	-0.3%	0.01	0.7%
Comm. Hog Sltr	mil head	121.32	124.44	129.91	5.48	4.4%	8.60	7.1%
Comm. Pork Prod.	bil. lb.	25.58	26.32	27.64	1.32	5.0%	2.05	8.0%

Hog slaughter/Pork Supply in 2019: Commercial hog slaughter in December was 11.394 million head, 8.9% higher than a year ago. When adjusted for the extra marketing days hog slaughter was up 3.7% y/y. Hog slaughter on a daily basis was record large in Q4, averaging 548k head per marketing day. However, keep in mind that Saturday slaughter is rolled into the five day business week. We think maximum daily slaughter currently sits at around 498k-500k head. The table above outlines the total slaughter numbers for barrows and gilts and sows as well as overall pork production. For all of 2019 commercial pork production was estimated at 129.9 million head, 5.5 million head or 4.4% higher than a year ago and 8.6 million head or 7.1% higher than two years ago. Pork production last year was estimated at 27.637 billion pounds, a staggering 1.322 billion pounds or 5% higher than the previous year and 2 billion pounds or 8% more than in 2017. At the end of 2018 USDA was forecasting pork production for 2019 to be 27.7 billion pounds, a forecast that proved to be especially accurate. The breeding herd has been increasing in the last 12 months and yet the number of sows coming to slaughter was unchanged, suggesting there is little motivation to liquidate despite some handwringing over poor margins. Hope of export demand and especially the opportunity to hedge higher production levels has allowed producers to continue to bring more pork to market in the last 12 months and very likely in 2020 as well.