Daily Livestock Report

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Hog feed costs so far in 2018 have traced a path similar to a year go. Winter quarter hog ration cost is almost the same as in the prior winter and were up 5% from the last quarter of 2017. Poultry rations during the first quarter increased by 8% from the last quarter of 2017 and were 3% higher than a year earlier due to the higher proportion of soybean meal in these rations versus hog feed formulations.

Hay prices have followed contrasting paths depending on the type of hay. Alfalfa hay prices received by farmers, as reported by USDA-NASS (National Agricultural Statistical Service) for January and February were 21% higher than a year earlier which is a tough pill to swallow for dairy farmers that require a higher quality of hay when prices for milk have been plunging. Prices for other types of hay, mostly suitable for beef cattle are only up 3% from a year ago.

Corn prices started out the year nearly identical to a year earlier, but began to post increases by late February and early March. Rising prices for winter wheat and soybeans based on crop development concerns in the Great Plains (wheat) and Argentina (soybeans) provided an upside bias for corn values until mid-March.

Corn inventories on March 1 were up 3% from a year earlier, surprisingly above industry analyst expectations. This inferred that less corn was used for livestock feeding during the December 2017-March 2018 interval. It also suggests that farmers were restrained in sales of corn which is consistent with firm price trends for the grain, leaving more corn to be sold in upcoming months.

USDA-NASS reported in late March that farmers are intending to plant less corn and soybeans this spring than a year ago. This has been a big enough factor to offset the larger March 1 inventories, in the case of corn, and international trade posturing that could cause a major disruption of soybean sales to China. Compared to a week ago, nearby month corn futures prices are 5 cents higher and are 12 cents higher than two weeks ago. Nearby soybean futures prices are up 30 cents from the values of the prior two weeks.

Last year, hog feed costs declined 1-2% in the spring and summer quarters from the winter quarter, thereby providing a foundation for increased pork production this year. Favorable demand for pork was also a factor last year, especially for bacon. Comparisons to a year ago are similar for chicken with regards to feed cost trends, but chicken did not have a marketing success similar to pork bellies, which is probably why chicken production is not increasing as much as pork production this year.

Crop development conditions will come to the forefront in coming weeks (if they already haven't) and the smaller planted acreage will emphasize the importance of favorable weather. The condition of the winter wheat crop is already dubious. The Kansas wheat crop condition as of the last week was the worst in at least five years (41% rated poor or very poor versus 17% a year ago). Currently, hog and poultry feed costs are on track to be up 3-4% from the first quarter, which would be 8% higher than a year ago. This will be a factor limiting pork and poultry production increases next year.