Daily Livestock Report

Sponsored in part by CME Group

Vol. 16, No. 140 / July 16, 2018

On the second page is a summary of data published by USDA's Agricultural Marketing Service (Market News Division) with last weeks preliminary production estimates and key livestock and poultry prices. Today we will focus on hogs.

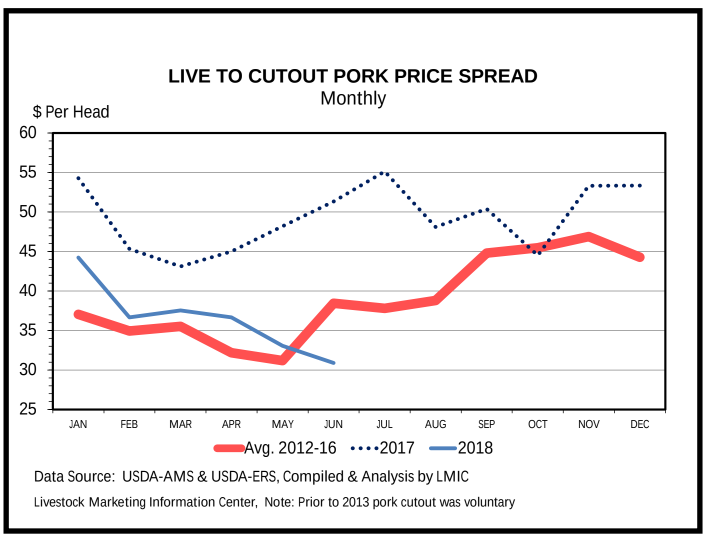
In the futures market last week, all the Lean Hog contracts were lower, with lost of volatility during the week. The spark behind the volatility was international trade tensions and likely retaliation against new U.S. tariffs that are proposed. Using the daily average closing futures prices, the August 2018 contract at the close of trading on Friday July 6th was at $75.43 per cwt., set a daily low of $68.80, and then closed this past Friday at $70.15. That's a considerable one-week drop ($5.28 per cwt.). The December contract closed on Friday July 6th at $54.80, fell to $46.45, and ended last week at $50.40; falling $4.40 per cwt. during that timeframe.

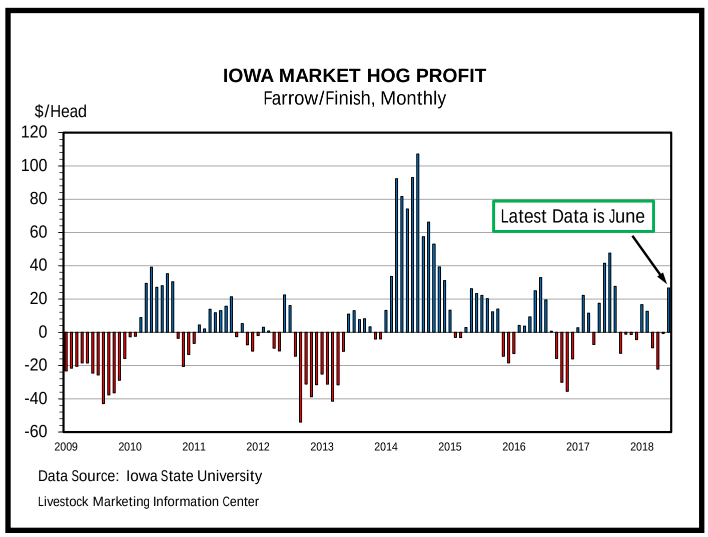
Looking back at where the August and December Live Hog contracts began the year paints an important picture. On a weekly basis (average of the daily closing prices), the August contract has fallen by $13.57 per cwt., or by 16%, since the first week of January. Over that same time, the December contract has declined by $14.52 per cwt. or by 23%.

Turning to the cash market, we have recently read articles which have essentially stated that (not a direct quote) "increased packer competition raising hog prices is just a theory, one which has not been realized." So, we will pose the question, are packers bidding more than a year ago, which was before the dramatic increase in U.S. hog slaughter capacity? The answer is shown in the estimated live-to-cutout value spread or what could be viewed as a gross packer margin. That margin or spread looks at the wholesale price of meat from a carcass plus the byproduct value (price of tallow, skin, internal organs, etc., sold) versus the animal cost. Of course, that calculation does not consider all costs of production (labor, facilities, trucking, etc.,) and not the value added by most packers (selling specialty trimmed products, cured hams, cooked bacon, etc.).

For the month of June, the live-to-cutout pork spread was $30.90 per head (calculated by LMIC). A year ago (June 2017), before the bulk of the new slaughter capacity was added, that margin was $51.34 per hog. Due largely, if not completely, to the added competition for hogs to fill shackle space, the estimated per animal packer margin fell by $20.44 per head. That is, animal prices did not decline as much as wholesale meat market and the byproduct value of a hog. In recent months, competition for slaughter hogs due to added slaughter capacity has prevented hog prices from declining even more than they likely would have.

The estimated monthly farrow-to-finish profitability calculated by Iowa State University (ISU) turned positive in June. See here for those monthly estimates and more background. For animals sold in June, the ISU profit was $26.66 per finished animal sold (including manure credit). Those estimates assume cash market prices and no hedging. Producers that used some risk management earlier this year, made significantly larger profits than the ISU calculations.





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PRODUCTION & PRICE SUMMARY

Week Ending 7/14/2018

Source: Various USDA Agricultural Marketing Service (Market News) reports. DATA ARE PRELIMINARY.

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
			14-Jul-18	7-Jul-18		15-Jul-17			
	Beef, Pork, Chicken, & Turkey	Mil Lbs., cwe	1,748	1,761	-0.8%	1,695	3.1%	50,779	1.9%
C	FI Slaughter	Thou. Head	650	565	15.0%	624	4.2%	17,278	3.0%
A	FI Cow Slaughter **	Thou. Head	118	113	3.9%	111	6.0%	8,836	6.8%
T	Avg. Dressed Weight	Lbs.	804	802	0.2%	806	-0.2%	810	0.4%
T	Beef Production	Million Lbs.	521.3	451.9	15.4%	501.9	3.9%	13,999	3.5%
L	Live Fed Steer Price, 5-Mkt	$ per cwt	NQ	112.63	N/A	119.51	N/A		
E	Dressed Steer Price, 5-Mkt	$ per cwt	174.79	178.77	-2.2%	190.06	-8.0%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	158.86	153.50	3.5%	154.43	2.9%		
&	Choice Beef Cutout	$ per cwt	206.48	209.65	-1.5%	212.93	-3.0%		
	Hide/Offal	$ per cwt, live wt	9.45	9.48	-0.3%	11.78	-19.8%		
B	Rib, Primal, Choice	$ per cwt	322.63	329.36	-2.0%	319.60	0.9%		
E	Round, Primal, Choice	$ per cwt	162.97	161.26	1.1%	175.77	-7.3%		
E	Chuck, Primal, Choice	$ per cwt	165.39	164.70	0.4%	170.86	-3.2%		
F	Trimmings, 50%, Fresh	$ per cwt	66.61	63.25	5.3%	95.74	-30.4%		
	Trimmings, 90%, Fresh	$ per cwt	219.91	220.92	-0.5%	233.02	-5.6%		
	FI Slaughter	Thou. Head	2,285	1,988	14.9%	2,197	4.0%	64,819	2.8%
H	FI Sow Slaughter **	Thou. Head	59.2	58.0	2.1%	57.8	2.5%	4,459	1.9%
O	Avg. Dressed Weight	Lbs.	209.0	210.0	-0.5%	207.0	1.0%	213	0.7%
G	Pork Production	Million Lbs.	476.9	416.1	14.6%	455.4	4.7%	13,798	3.6%
S	Iowa-S. Minn. Direct	Wtd. Avg.	76.29	78.30	-2.6%	87.47	-12.8%		
	Natl. Base Carcass Price	Wtd. Avg.	78.77	79.69	-1.2%	88.22	-10.7%		
&	Natl. Net Carcass Price	Wtd. Avg.	81.18	82.11	-1.1%	90.86	-10.7%		
	Pork Cutout	$ per cwt	84.08	86.07	-2.3%	104.83	-19.8%		
P	By-product Value	$ per cwt, live wt	3.83	3.91	-2.0%	4.06	-5.7%		
O	Ham, Primal	$ per cwt	54.31	58.03	-6.4%	78.07	-30.4%		
R	Loin, Primal	$ per cwt	80.31	81.40	-1.3%	96.10	-16.4%		
K	Belly, Primal	$ per cwt	171.52	165.48	3.6%	206.56	-17.0%		
	Trimmings, 72%, Fresh	$ per cwt	75.60	83.70	-9.7%	88.00	-14.1%		
C	Young Chicken Slaughter *	Million Head	144.4	171.9	-16.0%	141.87	1.8%	4,307	-0.6%
H	Avg. Weight (RTC)	Lbs.	4.56	4.60	-0.8%	4.66	-2.1%	4.69	0.7%
I	Young Chicken Production (RTC)	Million Lbs.	658.6	790.4	-16.7%	660.9	-0.3%	20,181	0.0%
C	Eggs Set (US)	Million	232.2	229.5	1.1%	226.0	2.7%	17,752	2.9%
K	Chicks Placed (US)	Million Head	186.2	187.7	-0.8%	182.3	2.2%	14,336	1.7%
E	National Composite Whole Bird	Composite	112.48	114.31	-1.6%	106.25	5.9%		
N	Northeast Breast, B/S	$ per cwt	128.14	134.90	-5.0%	162.12	-21.0%		
	Northeast Leg Quarters	$ per cwt	35.04	34.11	2.7%	43.61	-19.7%		
T	Total Turkey Slaughter *	Million Head	3.71	4.06	-8.5%	3.00	23.6%	110.1	-0.5%
U	Avg. Weight (RTC)	Lbs.	24.52	25.39	-3.4%	25.72	-4.6%	25.45	-0.2%
R	Turkey Production (RTC)	Million Lbs.	91.0	103.0	-11.6%	77.2	17.9%	2,801	-0.8%
K	National Hen (8-12 Lbs)	$ per cwt	78.80	83.00	-5.1%	102.45	-23.1%		
G	Corn, Omaha	$ per Bushel	3.29	3.32	-0.8%	3.34	-1.5%		
R	Distillers Grain, Chicago	$ per Ton	142.50	155.00	-8.1%	102.50	39.0%		
A	Wheat, Kansas City (delivered)	$ per Bushel	5.97	5.89	1.4%	5.33	12.0%		
I	Soybean, Cntrl IL	$ per Bushel	8.36	8.39	-0.4%	9.66	-13.5%		
N	Soybn Meal 48%, Cntrl IL	$ per Ton	341.90	337.90	1.2%	319.40	7.0%		

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago (part of 'actual" rather than "preliminary" weekly slaughter report).

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