Daily Livestock Report

Vol. 15, No. 218 / November 6, 2017

Cattle and hog prices jumped up last week in the cash market and across all the futures market months for the balance of this year and throughout 2018. Both futures markets and current livestock price levels are dramatically different than a year ago.

Note that Friday morning in Kansas, USDA's Agricultural Marketing Service (Market News) showed quite a few Live Fed Steers traded at $126.00 per cwt., so the preliminary weekly average we calculated and in the provided graphic may be revised higher. On the second page is a summary of Market News weekly reports on production and cash prices.

Using the average of the daily closing prices, last week the December 2017 Live Cattle (fed) contract was $125.45 per cwt., surging $6.08 for the week. Since mid-September, the December contract has increased $13.08 per cwt. The May 2018 fed contract averaged $127.71 per cwt. (up $3.45 week-over-week).

Feeder Cattle contracts also posted price gains for the week: November 2017 was $159.25 per cwt. (up $3.51 for the week); March 2018 was $156.25 (up $4.47); and August 2018 averaged $156.63 (gaining $4.69). The March contract is up $11.49 per cwt. since mid-September, a level worth studying for those grazing winter wheat.

Lean Hog prices strengthened last week and provide opportunities for producers to lock-in profits. For the week, the December 2017 contract averaged $66.14 per cwt., $1.83 above the prior week. Since mid-September, that contract has increased $8.64 per cwt. The May 2018 contract was $79.54 per cwt., up $1.58 for the week.

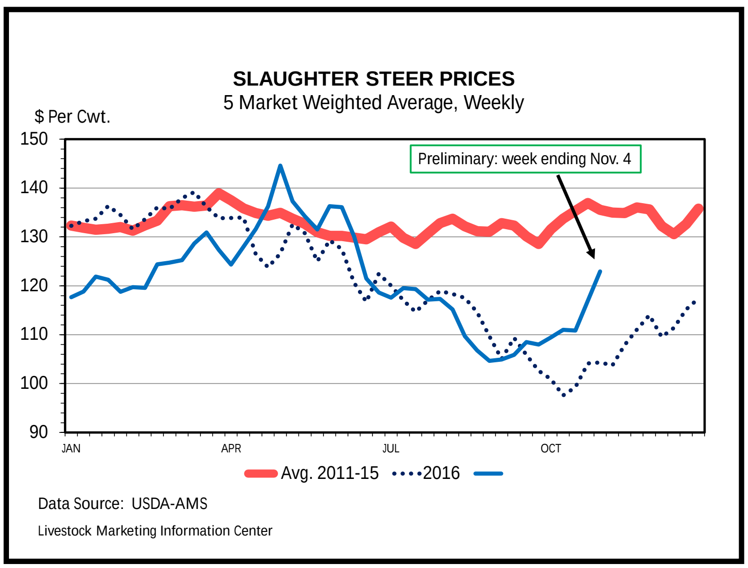
Year-over-year, livestock futures market prices are dramatically higher. The December 2017 Live Cattle contract last weak was up $21.25 per cwt. compared to 2015's. and the April contract for next year was up $22.69. Feeder Cattle futures in 2018 for the March and August contracts last week were $40.62 and $42.10 above a year ago, respectively. Compared to a year ago, the Lean hog contracts last week for December of this year and May 2018 were $19.06 per cwt. and $10.86 higher, respectively.

Last year at this time, futures markets, especially for cattle, were signaling to meat buyers for retail stores and restaurants that prices would remain rather low and there appeared to be opportunities to buy out-front for features and special promotions. Also, a year ago, after struggling with high feeder cattle prices for many months, cattle feeders began to see much better prospects for profits on animals being placed on-feed, even with languishing Live Cattle futures prices.

Given the fundamental price structures and the levels today, are cattle prices likely to match the huge prices increases posted from early-November 2016 into the spring months of 2017? For key contract months, let's look back at that timeframe for some context. One year ago (week ending November 4, 2016), the April 2017 Live Cattle contract average was $105.02 per cwt. At contract expiration, that contract had surged to $132.89. From early-November 2016 to contract expiration for the March 2017 Feeder Cattle contract the price increased from $115.63 per cwt. to $132.65.

Turning to the Lean Hog contract, between early-November 2016 and the expiration of the May 2017 contract, the price increase was $2.26 per cwt. (from $68.68 to $70.94).

Futures markets are pointing to higher cattle and hog prices than a year earlier. Looking just a at prices in recent weeks as a starting point, 2018 likely will not unfold like 2017.



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PRODUCTION & PRICE SUMMARY

Week Ending 11/4/2017

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
			4-Nov-17	28-Oct-17		5-Nov-16			
	Beef, Pork, Chicken, & Turkey	Mil Lbs., cwe	1,938	1,931	0.3%	1,931	0.3%	80,083	2.2%
C	FI Slaughter	Thou. Head	642	617	4.1%	611	5.0%	26,829	5.6%
A	FI Cow Slaughter **	Thou. Head	121	118	2.9%	112	8.4%	4,625	7.2%
T	Avg. Dressed Weight	Lbs.	825	826	-0.1%	838	-1.6%	812	-1.6%
T	Beef Production	Million Lbs.	528.5	508.4	4.0%	511.2	3.4%	21,790	4.0%
L	Live Fed Steer Price, 5-Mkt	$ per cwt	122.96	116.98	5.1%	104.31	17.9%		
E	Dressed Steer Price, 5-Mkt	$ per cwt	191.80	181.54	5.7%	162.24	18.2%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	163.25	158.46	3.0%	124.38	31.3%		
&	Choice Beef Cutout	$ per cwt	206.83	201.05	2.9%	187.03	10.6%		
	Hide/Offal	$ per cwt, live wt	10.05	10.06	-0.1%	11.70	-14.1%		
B	Rib, Primal, Choice	$ per cwt	371.37	352.56	5.3%	329.27	12.8%		
E	Round, Primal, Choice	$ per cwt	170.19	167.98	1.3%	160.06	6.3%		
E	Chuck, Primal, Choice	$ per cwt	173.28	169.62	2.2%	161.09	7.6%		
F	Trimmings, 50%, Fresh	$ per cwt	73.64	65.81	11.9%	47.81	54.0%		
	Trimmings, 90%, Fresh	$ per cwt	213.28	213.80	-0.2%	192.92	10.6%		
	FI Slaughter	Thou. Head	2,453	2,526	-2.9%	2,532	-3.1%	101,164	2.7%
H	FI Sow Slaughter **	Thou. Head	61.6	56.8	8.4%	58.6	5.1%	2,378	2.5%
O	Avg. Dressed Weight	Lbs.	211.0	211.0	0.0%	211.0	0.0%	211	-0.3%
G	Pork Production	Million Lbs.	516.6	531.5	-2.8%	534.7	-3.4%	21,299	2.4%
S	Iowa-S. Minn. Direct	Wtd. Avg.	64.06	65.36	-2.0%	44.08	45.3%		
	Natl. Base Carcass Price	Wtd. Avg.	67.04	66.07	1.5%	51.51	30.2%		
&	Natl. Net Carcass Price	Wtd. Avg.	69.23	68.29	1.4%	53.68	29.0%		
	Pork Cutout	$ per cwt	78.92	76.71	2.9%	73.56	7.3%		
P	By-product Value	$ per cwt, live wt	3.85	3.78	1.9%	3.74	2.9%		
O	Ham, Primal	$ per cwt	70.48	69.40	1.6%	64.19	9.8%		
R	Loin, Primal	$ per cwt	74.94	75.75	-1.1%	69.25	8.2%		
K	Belly, Primal	$ per cwt	107.72	99.13	8.7%	109.13	-1.3%		
	Trimmings, 72%, Fresh	$ per cwt	60.55	60.03	0.9%	43.13	40.4%		
C	Young Chicken Slaughter *	Million Head	164.3	164.4	0.0%	159.44	3.1%	6,961	1.3%
H	Avg. Weight (RTC)	Lbs.	4.73	4.70	0.6%	4.82	-1.7%	4.66	0.0%
I	Young Chicken Production (RTC)	Million Lbs.	778.0	773.3	0.6%	768.2	1.3%	32,462	1.2%
C	Eggs Set (19-state)	Million	211.2	205.5	2.8%	202.5	4.3%	9,155	2.7%
K	Chicks Placed (19-state)	Million Head	167.4	165.4	1.2%	165.4	1.2%	7,459	1.7%
E	National Composite Whole Bird	Composite	84.84	84.81	0.0%	73.28	15.8%		
N	Northeast Breast, B/S	$ per cwt	108.73	113.54	-4.2%	100.70	8.0%		
	Northeast Leg Quarters	$ per cwt	38.21	38.98	-2.0%	33.44	14.3%		
T	Total Turkey Slaughter *	Million Head	4.89	4.81	1.6%	4.91	-0.6%	179.5	-1.5%
U	Avg. Weight (RTC)	Lbs.	23.44	24.48	-4.3%	23.82	-1.6%	25.25	1.9%
R	Turkey Production (RTC)	Million Lbs.	114.5	117.8	-2.8%	117.0	-2.2%	4,533	0.4%
K	National Hen (8-12 Lbs)	$ per cwt	88.35	93.64	-5.6%	124.50	-29.0%		
G	Corn, Omaha	$ per Bushel	3.16	3.16	0.0%	3.02	4.8%		
R	Distillers Grain, Chicago	$ per Ton	120.00	117.50	2.1%	122.50	-2.0%		
A	Wheat, Kansas City (delivered)	$ per Bushel	5.28	5.25	0.6%	4.75	11.2%		
I	Soybean, Cntrl IL	$ per Bushel	9.71	9.46	2.6%	9.70	0.1%		
N	Soybn Meal 48%, Cntrl IL	$ per Ton	313.90	308.60	1.7%	315.40	-0.5%		

* 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).