Daily Livestock Report

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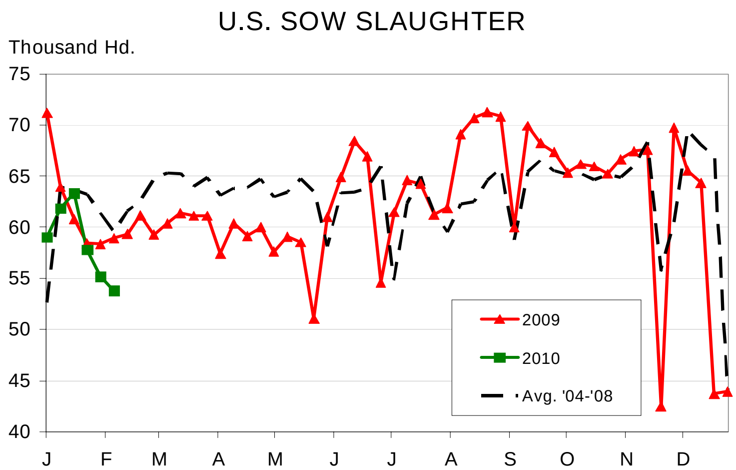
The livestock industry equivalent of “plant and equipment” in General Economics 101 is “Breeding herd” or, more precisely, “Female Herd.” While productivity does improve to some degree constantly and, from time to time, in abrupt shifts, the only sure way to change the number of animals that eventually come to market is to change the number of females producing those animals.

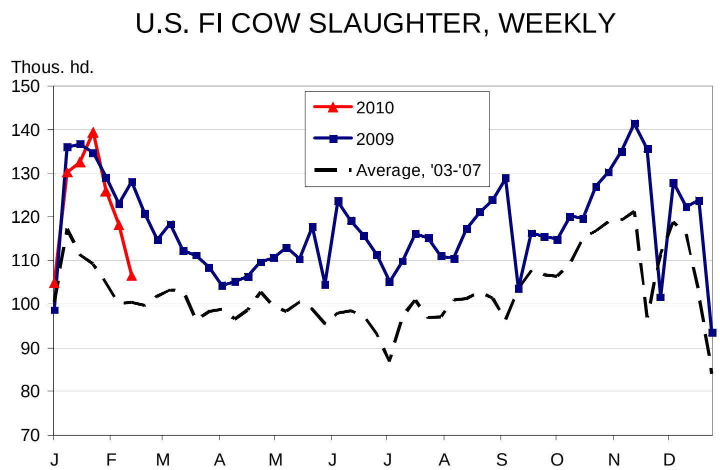
The biology of some species allows the action to yield quick results — or at least quick results by livestock and poultry standards. The chicken and turkey industries have two biological advantages. The first is a shorter generation interval. Chickens hatch after a 21-day incubation period and are ready for slaughter at 5-7 weeks of age, depending on whether they are destined for whole birds, chicken pars or boning. The incubation period for turkeys is 28 days and they are processed at 14 weeks for hens and 18 weeks for toms. So, output decisions come to fruition quickly for poultry.

And note that both species gain an advantage by having the intermediate “set/no set” decision. Mating male and female birds only produces a fertilized egg which may or may not be placed in incubators to produce a market bird.

Pig and cattle producers must deal with MUCH longer production horizons and there is no built-in opportunity to truncate the production process. Most producers will not cull a pregnant female past a certain point in her pregnancy and calves or pigs, once born, are almost always fed to some reasonable market weight. Pigs reach market weight 9-10 months after breeding (4 months gestation, 5-6 months feeding). Cattle reach market weight 2-3 years after breeding (9 month gestation, 15-24 months of growing and feeding).

So, a producer’s decision to keep or cull a cow or sow has very-long-run impacts on the supply of market animals. As can be seen at right, both sow and cow slaughter have plunged in recent weeks due to some common drivers and some that are not common across the species.





Sow slaughter fell sharply through early February due to both bad weather (and related transportation and, in some areas, demand problems) and significantly higher profit potential for 2010. Sow slaughter data run a lag of two weeks but the USDA report LM-HG230, the National Daily Direct Prior Day Sow and Boar Report provides more up-to-date information on the sow purchases of packers who must report each day under the mandatory price reporting system. These packers represent about 60% of the sow slaughter capacity so their purchases do not account for all of weekly sow slaughter. Still, changes in sow purchases are proving to be useful in predicting changes in sow slaughter and the past two weeks indicate that a modest increase is underway — modest enough to still indicate that sow slaughter is not high enough to cause the herd to shrink much, if at all.

FI cow slaughter plunged during January and early February as well but the driver was almost completely weather. Eastern seaboard snowstorms hurt both retail and foodservice traffic and ranchers and dairymen in many parts of the country have encountered the same transportation problems that have been seen by pork producers — all factors in lower cow slaughter. But, while sow slaughter has apparently increased modestly in the past couple of weeks, cow and bull slaughter has recovered quickly. Daily data, available in USDA’s Estimated Livestock Slaughter Under Federal Inspection report (SJ_LS710) suggest that last week’s cow and bull slaughter was nearly 14% higher than one year ago. Profit potentials are not nearly as good in the beef and dairy sectors and this long, hard winter has driven up feed and hay usage. Using more feed and hay and paying much more than was expected for hay do not jive well with a questionable profit outlook — and the result is a rebound for cow slaughter.

The Daily Livestock Report is published by Steve Meyer and Len Steiner. Please forward to others that may benefit from this information. To subscribe/ unsubscribe visit www.dailylivestockreport.com.