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Dairy/Livestock

Feedlots load up on lightweights

By CAROL RYAN DUMAS
Capital Press

Cattle on feed, placements, marketing and other disappearances, July

(Feedlots with 1,000-head capacity or more)

Item	(1,000 head) 2017	2018	Percent change
Placed on feed, July	1,615	1,742	8
Fed cattle marketed, July	1,784	1,873	5
Other disappearance, July*	48	63	31
Item	**(1,000 head) 2017**	**2018**	**Percent change**
On feed, Aug. 1	10,604	11,093	5

*Includes death loss, movement from feedlots to pasture, and shipments to other feedlots for further feeding.

Source: USDA NASS Capital Press graphic

A record number of cattle were in U.S. feedlots at the beginning of the month.

The number of cattle in large U.S. feedlots on Sept. 1 — 11.1 million — is 6 percent above a year earlier and the highest since the data series began in 1996, USDA National Agricultural Statistics Service reported on Friday.

It's the fourth consecutive month of all-time monthly highs going back to the start of the series, and the May 1 inventory was the second-largest for the month.

Most of those increases in inventory are a result of placing lighter weight cattle, Derrell Peel, livestock marketing specialist with Oklahoma State University Extension, told Capital Press.

Cattle placed in feedlots in August were up 7.4 percent year over year and largely consisted of cattle under 700 pounds. Those lightweight cattle accounted for about 37 percent of the roughly 2 million placed, according to NASS data.

Cost of gain at the feedlot is fairly attractive at about 76 cents to 80 cents per pound in the Southern Plains, and feedlots are willing to feed cattle longer, Peel said.

Rations are inexpensive with large supplies of feed grains. Hay is going to be more expensive across the board this year, but hay or forage only make up 5 to 8 percent of the feedlot ration, he said.

The lighter cattle are also a little more attractively priced than heavier cattle. The Oklahoma price for a 475-pound calf works out to about $807 a head, compared to about $1,200 for a 750-pound animal, he said.

"Feedlots have been willing to load up on these lighter weight cattle," he said.

Dry conditions in some areas of the country have had feeder cattle moving to town earlier than normal. Those cattle would typically enter feedlots in the fall, he said.

"It's changing the timing more than anything, and will partially offset the fall run-up in on-feed numbers," he said.

A 575-pound calf is going to spend about 8 months in the feedlot, he said.

With lighter weight placements since May, "the supply of fed cattle coming to market may be relatively tight for the remainder of the year," he said.

Markets have seen a price rally on fed cattle in the last week or two, and there's probably a little more of that ahead, he said.

Marketings of fed cattle out of feedlots in August at 1.98 million head were only slightly above year-ago levels. But feedlots are staying current, marketing them as they're ready, he said.

Beef production year to date is 3 percent higher year over year. But it's probably going to go higher in the fourth quarter to be up 3.5 percent for a record 27.1 billion pounds in 2018. Beef production is going to be up well into 2020, he said.

Carol Ryan Dumas/Capital Press

Dairy cows look up from their feed at Si-Ellen family dairy in Jerome, Idaho. Economists expect milk prices to dip as markets react to stronger-than-expected U.S. milk production.

Milk production stronger than anticipated

By CAROL RYAN DUMAS
Capital Press

August milk production

Area	Cows (1,000 head) 2017	2018	Milk per cow (Pounds) 2017	2018	Milk production (Million pounds) 2017	2018	% change
Calif.	1,746	1,734	1,870	1,905	3,265	3,303	1.2
Idaho	603	607	2,155	2,160	1,299	1,311	0.9
Ore.	123	121	1,735	1,760	213	213	—
Wash.	275	277	2,050	2,075	564	575	2
U.S.*	9,404	9,400	1,919	1,946	18,049	18,295	1.4

Source: USDA NASS *23 major milk states Capital Press graphic

Despite a Class III milk price of $14.95 per hundredweight, U.S. dairy farmers turned the spigot back on milk production in August.

Milk production increased 1.4 percent year over year after having slowed to a 0.5 increase in July compared with a year earlier, USDA National Agricultural Statistics Service reported Sept. 19.

The biggest factor in the unexpected strong production in August was a big increase in milk per cow, Mark Stephenson, economist with the University of Wisconsin, said in the latest Dairy Situation and Outlook podcast.

Per-cow production was up 37 pounds year over year nationwide and 28 pounds in the 23 top-producing states, NASS reported.

Bob Cropp, also an economist with the university, said he was hoping the production increase would stay below 1 percent to spur milk prices.

While Class III prices are back in the $16 range, supported by higher whey prices, he wouldn't be surprised if they dipped back down in October as markets react to higher milk production.

Stephenson agreed, adding perspective on lackluster prices.

"I hate to say it, but you have to kind of wonder if these prices aren't for a period of time going to be the new normal for us. We were looking at these as being low milk prices, but it's been so persistent in this range for almost four years now," he said.

The reasons for low prices have changed, but prices haven't altered much, he said.

Milk production in the major exporting countries is only up about 1 percent year over year, but prices at the Dairy Global Trade Auction have pretty much been a little negative every month in 2018, he said.

"So we're having a hard time breaking out," he said.

The demand situation is the "iffy" issue, Cropp said.

Domestic demand looks pretty good and while exports declined a little in July, they were still higher than a year earlier. But U.S. prices on butter and cheese have risen a little, making those products less competitive compared with Western Europe, he said.

The big uncertainty ahead is the impact on exports if retaliatory tariffs by China and Mexico remain in place, he said.

Those tariffs caused a big drop in whey exports to China in July and a decline in cheese exports to Mexico, he said.

Class III milk prices could drop below $16 during the first part of the year. But if the world economy and U.S. economy remain healthy, he expects prices will average higher in 2019 than in 2018, he said.

It all depends on production and what happens with trade, he said.

But Stephenson said farmers shouldn't expect significant price changes.

"I think what we're doing is trying to fine tune whether we're going to be up a dime or down a quarter … we aren't talking about dollars. There's no compelling story in the U.S. or the rest of the world right now to have big movements in price either up or down," he said.

Cash market still searching

By LEE MIELKE
For the Capital Press

Dairy Markets

Lee Mielke

Cash block cheese closed Friday at $1.6350 per pound, up 3 cents on the week and 2 1/4-cents above a year ago, as traders absorbed last week's August Milk Production and Livestock Slaughter report and anticipated Monday afternoon's August Cold Storage report.

The barrels fell to $1.36 Friday, down 6 cents on the week, 24 cents below a year ago, lowest CME price since July 23, 2018, and a precarious 27 1/2-cents below the blocks.

Monday's block price was unchanged while the barrels picked up 2 cents. Traders left the blocks alone Tuesday, after digesting the slightly bullish Cold Storage data, but rolled the barrels down 4 cents, to $1.34, widening the spread to 29 1/2-cents.

FC Stone reported in its Sept. 14 Early Morning Update that American cheese demand in July was 5.8 percent above a year ago, but down 7.1 percent versus previous-month levels, according to USDA's Livestock, Dairy, and Poultry Outlook.

Demand for the "other" cheese category increased 7.4 percent from 2017 levels and was 0.8 percent higher than month-earlier levels. Total cheese use was up 6.8 percent from a year ago but 2.4 percent below June. 2018 American cheese use is 3.1 percent higher and other than American cheese use is up 2.7 percent, which puts total cheese use up 2.9 percent.

Dairy Market News reports that cheese sales have slipped for some Midwest producers though the drop-off did not come as a surprise to contacts who have seen barrel prices slide more than 20 cents below the blocks.

Western cheese output is steady to higher than expected due to readily available milk at some localities. Inventories remain abundant but not burdensome. Domestic orders are solid. International demand is generally good, though cheese prices have been declining and some participants have put off purchases and are reevaluating conditions.

Cash butter climbed to $2.3050 Wednesday but plunged 7 cents Friday, closing at $2.2350 per pound, unchanged on the week but 21 1/4-cents below a year ago. The butter jumped 4 cents Monday and added a half-cent Tuesday, closing at $2.28.

Cream availability has lightened in the Central region. Butter sales reports continue to be mostly bullish, says DMN.

Western butter continues at a steady pace, with adequate amounts of cream however bulk butter demand has softened as buyers appear to have most of their needs filled for the year.

Grade A nonfat dry milk closed Friday at 87 1/4-cents per pound, down a quarter cent on the week but a nickel above a year ago.

Monday's powder was unchanged but inched a quarter-cent higher Tuesday, to 87 1/2-cents per pound.

Nonfat dry milk use dropped 13.9 percent in July and butter demand was 12.4 percent higher, compared with previous-year levels.