Higher production cuts prices

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Higher production cuts prices

Abstract
Livestock prices slip as output rises, trimming cash receipts.

Disciplines
Agricultural and Resource Economics | Agriculture

Comments
Iowa rankings: Iowa ranks fourth among all states in cash receipts from beef production and No. 5 in value of production. Iowa continues to be the leader in hog production. Iowa is 12th in dairy production, sixth in turkey production and first in egg production.

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Lee Schulz | May 15, 2017

In Iowa, the livestock industry is a major part of the state’s ag sector and Iowa’s overall economy. Iowa’s cow-calf farms, feedlots, pork, dairy, poultry and other livestock operations represent about half of all cash receipts for Iowa agriculture.
USDA’s National Agricultural Statistics Service compiles annual estimates of livestock inventories, output and sales. Reports for 2016 confirm deterioration in financial positions of livestock producers. The reports provide a general understanding of the roles various livestock segments play in the national and state economies and what drives regional differences.

**Lower prices trim cattle receipts**
Nationally, 2016 cash receipts for cattle and calves totaled nearly $63.95 billion. That figure is 18.2% smaller than 2015’s $78.13 billion and 21.5% lower than 2014’s record $81.48 billion. This marks the lowest level of cattle industry cash receipts since 2011.

Last year’s value of beef production slipped 18.7% to $48.63 billion from 2015’s $59.84 billion. Value of beef production removes the value of sales between producers (predominantly calves and feeder cattle) leaving just net value added by cattle producers. Marketing’s rose 4% year over year in 2016, so the value of the production drop was all caused by lower cattle prices.

Iowa remained the No. 4 state for cash receipts ($3.86 billion) and No. 5 state for value of production ($2.49 billion). Nebraska ($10.98 billion), Texas ($8.47 billion), and Kansas ($7.86 billion) took the top three spots for total cash receipts. Texas remained the No. 1 state for value of cattle and calf production ($7.24 billion) due to its larger cow-calf sector. That sector represents primary production from breeding cows and birthing calves.

Feedlots make up a larger portion of Nebraska’s cattle industry. Value of feeder cattle that feedlots buy is deducted from total cash receipts to compute the value of actual production in Nebraska. The same can be said for Oklahoma over Iowa with respect to value of production. Nebraska produced $6.33 billion in value of cattle and calves last year; Kansas produced $4.59 billion; and Oklahoma produced $2.56 billion.
Hog receipts ease on record production

Last year set a record of 35.61 billion pounds of hogs produced. That figure is 2.2% larger than 2015’s 34.86 billion pounds, and marks the second straight year in which hog production has been record large.

Total cash receipts from hogs and pigs slipped in 2016 amid the larger production, falling to $18.86 billion, 8.6% lower than 2015’s $20.62 billion and 28.9% lower than 2014’s record $26.52 billion. The last time hogs and pigs cash receipts were this low was in 2010.

The total value of U.S. pork production also eased in 2016 to $17.22 billion, down 8.8% from 2015’s $18.88 billion. The value of pork production represents a much higher percentage of total cash receipts than is the case with cattle and calves for several reasons. First, a much higher proportion of the pork production process is completed within one year. Pigs are harvested at roughly six months of age, so production turns into cash at a faster rate. Second, a much higher proportion of pork production comes from companies that control the entire process from breeding to harvest, meaning pigs do not change hands in the middle and thus create a cost of goods sold expense line. Finally, the value of a weaned pig has historically represented about 20% to 30% of the value of a finished hog, where the value of a feeder steer or heifer represents a much higher proportion at 65% to 75%.

Iowa continues to be the far-and-away leader in hog production, having 2016 cash receipts and production value of $6.35 billion and $5.52 billion, respectively. Those represent 33.7% of total U.S. cash receipts and 32% of total U.S. hog production value.

Minnesota maintained, over North Carolina, the No. 2 ranking for cash receipts from hogs. In 2016, Minnesota’s producers generated $2.28 billion from hog sales, while North Carolina’s industry realized $2.10 billion in receipts. North Carolina has led Minnesota for several years in value of production, since a higher proportion of Minnesota’s total output is produced from purchased weaned or feeder pigs whose value is, just as is the value of feeder cattle for the feedlot sector, deducted from cash
receipts to arrive at production value. Those values of production figures for 2016 were $2.07 billion and $1.97 billion, respectively.

**Dairies feel financial squeeze**
Nationally, milk production rose 1.8% in 2016 to 212.44 billion pounds. The rate per cow, at 22,774 pounds, was 378 pounds, or 1.7% above 2015. The annual average number of milk cows on farms, excluding heifers not yet fresh, was 9.33 million head, up 14,000 head from 2015. Cash receipts from marketings of milk during 2016 totaled $34.54 billion, 3.3% lower than 2015. Producer returns averaged $16.34 per hundredweight, 5.1% below 2015.

In 2016, over 50% of the milk produced in the U.S. came from five states: California (19.0%), Wisconsin (14.2%), New York (7.0%), Idaho (6.9%) and Michigan (5.1%). Iowa ranked 12th with 2.4% of the total U.S. milk production. Iowa also ranked 12th in cash receipts at $833.15 million.

Colorado had the highest milk production per cow, averaging 25,980 pounds. Iowa ranked eighth at 23,634 pounds per cow. Iowa ranked in the bottom third for producer returns at $16.60 per cwt. Lower than the returns in Hawaii ($26.70 per cwt), Alaska ($21.90 per cwt) and Florida ($18.70 per cwt), but higher than in Montana ($13.90 per cwt), California ($15 per cwt), and Michigan and Arizona ($15.10 per cwt).

**More poultry production pressures prices**
The total value of U.S. poultry production in 2016 was $38.69 billion, down 19.6% from 2015. Broilers accounted for $25.94 billion of the total, 9.7% lower than last year, which, along with a 52.4% drop in eggs to $6.48 billion canceled, out an 8.3% increase in turkey value, up to $6.18 billion. Non-broiler chickens accounted for $84.87 million, down 17.8%.

Production of broilers, chickens, turkeys and eggs were all up in 2016, pressuring prices. The total number of broilers was 8.78 billion head, up 1.0% with a weight of 54.26 billion pounds, up 1.7%. Turkey production was 244 million head, up 4.7%,
and production was 7.49 billion pounds, 6.4% higher. Egg production was 101.95 billion, 4.9% higher.

Iowa jumped one spot to be the sixth-largest turkey producer in 2016 with 11.40 million head raised, 460.98 million pounds produced, and $380.77 million in value of production.

Iowa is the largest egg producer by a notable margin compared to the next largest producing states: Ohio, Indiana and Pennsylvania. Iowa produced 13.61 billion eggs, with a value of production of over $556.14 million.

For a full copy of the reports visit:

- Meat Animals Production, Disposition, and Income Annual Summary
- Milk Production, Disposition, and Income Annual Summary
- Poultry Production and Value

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