

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

June 12, 2020

Production			Prices			
<b>Week Ending 6/13/2020</b>	Last	Year Ago	<b>Weekly Average (\$/Cwt)</b>	Last	Week Ago	Year Ago
Fl Cattle Slaughter (Thou Hd)	658	669	Live Steer	104.84	112.39	113.62
Fl Hog Slaughter (Thou Hd)	2457	2439	Dressed Steer	166.65	179.04	184.48
Fl Sheep Slaughter (Thou Hd)	38	36	Choice Beef Cutout	240.77	297.90	222.11
Live Y. Chicken Sl. (Mil Hd)	161.8	169.0	USDA Hide/Offal	7.17	7.13	8.25
			OK City Fdr. Str. (6-7 Cwt.)	146.63	144.36	149.26
Slaughter Cattle Live Weight	1372	1311	Natl. Negotiated Purchase	30.45	33.54	75.65
Slaughter Hog Live Weight	294	285	Natl. Net Hog Carcass	55.45	60.16	79.69
Slaughter Lamb/Sheep Live Wt.	136	137	Feeder Pigs (40 Lbs) (\$/Head)	13.22	14.65	62.99
Beef Production (Mil Pounds)	542.2	531.1	Pork Cutout	69.69	75.61	83.31
Pork Production (Mil Pounds)	537.5	521.0	Lamb Cutout	355.65	358.09	346.18
Lamb, Mutton Prod. (Mil Lbs.)	2.6	2.5	Cheddar, 40 lb Block(\$/lb)	1.91	1.61	1.71
<b>Previous 6 Wk. Moving Avg.</b>			Corn, Omaha (\$/Bu)	3.18	3.15	4.33
Total Beef (Mil Lbs)	464.5	514.9	Soybeans, Cntrl IL (\$/Bu)	8.74	8.76	8.80
Total Pork (Mil Lbs)	474.0	498.8				
Total Lamb, Mutton (Mil Lbs)	2.7	2.7				

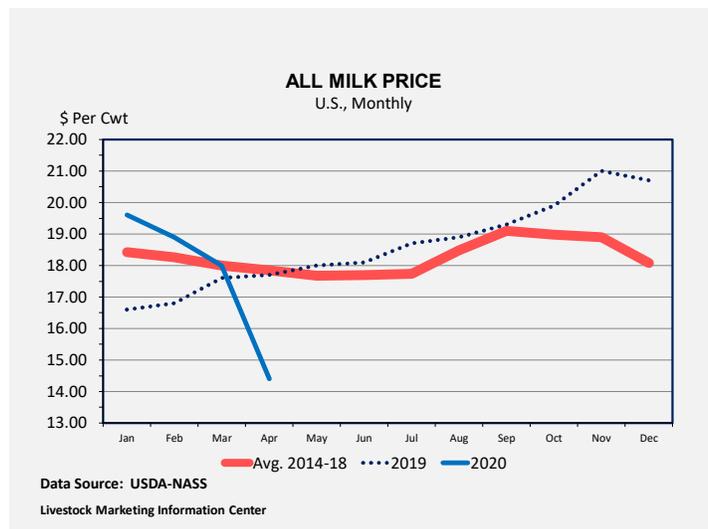
*Source: Various USDA-AMS reports. Data are preliminary.*

### Trends . . . MILK PRICES SINK ON COVID-19 SOFTENED DEMAND

USDA NASS released the preliminary estimates for the U.S. all milk price in April. The tally came in at \$14.40 per cwt., the lowest milk price since October 2009 and a 20% drop from the month before. The decline was the largest month-over-month in this dataset. This rollercoaster-style drop was caused by collapsing dairy product prices, leading to lower class prices. For comparison, Class III prices fell 20% as well from March to April, the second double digit price decline in the last 6 months. December to January Class III prices fell 12%. Class IV prices declined by 23%, the third consecutive month-over-month decline.

Wholesale butter prices were as low as \$1.1229 per pound in April, compared to the five year (2019-2015) weekly average of \$2.20 per pound. Cheese blocks went as low as \$1.13 per pound in May, compared to a prior five-year average of \$1.64 per pound. Dry Whey was \$0.37 per pound, compared to \$0.37 per pound five years average. Lastly, nonfat dry milk was \$0.84, compared to an \$0.88 per pound prior five-year average.

Dairy product demand is expected to pick up significantly with more restaurants opening, and already certain dairy product prices have improved, but those have not yet translated to better Class milk prices. May Class III price was listed as \$12.14 per cwt, a 7% decline from April's price and Class IV milk price decreased to \$10.67. May was more mixed for product prices, the monthly average for 500 lbs. barrels of cheese (product destined for further processing), butter, and dry whey all



had strong prices compared to April. Cheddar 40# blocks, and nonfat dry milk prices also slipped.

Domestic dairy demand is more complicated than meat demand in some ways because of the range of products that interact with different sectors: baked goods, cheese applications and protein application, as well as types of channels: schools, institutions, at-home, and food service/retail.

The export market also cannot be over-looked. Key destinations and others are also wrestling with decreased consumption of products and may have long economic recovery roads ahead even if the U.S. is on a different path. Year to date through April export of fluid milk products (HTS 0401) are down 5%, concentrated products (HTS 0402) up 15%, buttermilk (0403) down 19%, whey and natural milk products (HTS 0404) 15% higher, butter and other fats (HTS 0405) 23% lower, and cheese and curds products (HTS 0406) 8% smaller than last year.

## WEEKLY FEEDER CATTLE MARKET RECEIPTS REBOUND IN MAY

USDA's Agricultural Marketing Service (AMS) tracks national feeder and stocker cattle receipts from auctions, direct sales and video or internet sales on a voluntary basis. Total receipt data prior to May had posted 10 straight weeks of declines compared to 2019 weeks. Feeder cattle prices have increased in May causing most auction sales to increase every week of May.

Direct sales posted even larger year-over-year increases. Early May figures had volumes two and three times bigger, while the last two weeks showed double digit growth. Video auctions and internet channels also had weeks two and three times larger than the respective weeks last year. Overall, during May, volume through all reported marketing channels was 9.5% above 2019's.

March and April auction receipt volumes were very low. March was the smallest auction receipt level reported by AMS for that month since 2002. April was the smallest since 2012. These match the lower feedlot placements in those respective months. However, May points towards more interest in buying feeder cattle, by both stocker operations and cattle feeders. Feeder cattle prices are expected to hold firm through the summer with feed costs expected to decline with larger feedstuffs production. Drought continues to be an aspect to watch. But, with the improvement of fed cattle prices later this year and lower corn costs, cattle feeding margins could become supportive of feeder cattle prices.

## AN UPDATE ON THE LAMB MARKET AND PRICE PROSPECTS

The slaughter lamb market has suffered from the same COVID-19 shocks as endured by fed cattle and hogs – declining demand by restaurants and reductions in processing capacity. The U.S. and the world crashed into economic recession. Additionally, early in the COVID-19 situation, bankruptcy was filed by the largest lamb packing plant in Colorado (Mountain States Rosen). Fortunately, after a short period of great uncertainty, the court approved a reorganization approach and financing was secured. That is a major plant that has both harvest and fabrication capacity. Potentially needing to replace the capacity and capabilities of that plant is an ominous dark cloud overhanging the industry. A new slaughter-only plant in Colorado has had a series of delays in becoming fully operational.

Importantly, the potential huge negative impact of U.S. lamb being highly dependent on restaurants was somewhat mitigated by the grocery stores using lamb to replace depleted meat cases, due to the dramatic reductions in beef and pork. Also, lamb through-put in plants bounced-back relatively quickly. For example, for the week ending May 23<sup>rd</sup>, Federally Inspected lamb and sheep slaughter was up 5.0% year-over-year, while cattle harvest declined (-11.6%).

This year started out with strong lamb prices. For the first quarter of this year, the national (formula) carcass lamb price received by producers was \$295.96 per cwt., that was up 11.3% compared to a year ago. That increase was driven by a 4.9% year-over-year drop in U.S. commercial production. Projections at mid-June put the slaughter lamb price down about 22% compared to a year ago, and about 12% below that of 2020's first quarter. For the balance of this year, the LMIC forecasts slaughter lamb prices will be below a year ago; for the year averaging 10% to 16% below 2019's.

Lighter weight (i.e., 60- to 90-pound live lamb) prices were higher than 2019's in the first quarter (up 14% to 15% in most major auction markets). Prices fell in the second quarter, but percentage wise, not as much as slaughter lambs. Compared to a year ago, the projected drop will be 4% to 5%. Lighter weight lamb prices have been buffered by lower feedstuff costs (corn, hay, etc.). For the year, LMIC forecasts that the 2020 average price in the range of 1% to 4% below 2019's.