

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

August 8, 2020

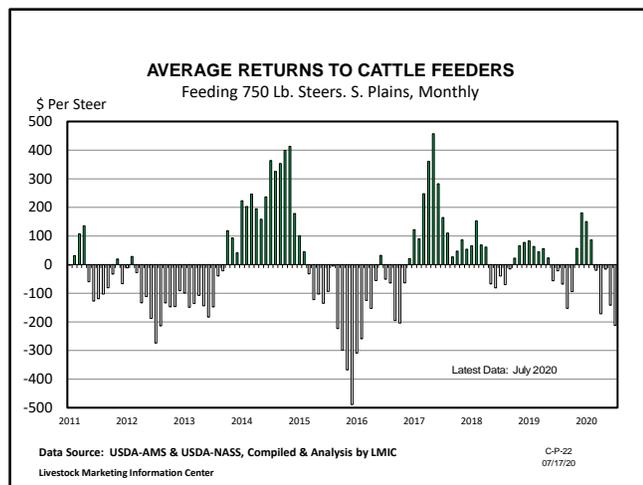
Production			Prices			
Week Ending 8/8/2020			Weekly Average (\$/Cwt)			
FI Cattle Slaughter (Thou Hd)	Last	Year Ago	Live Steer	Last	Week Ago	Year Ago
FI Hog Slaughter (Thou Hd)	633	647	Dressed Steer	101.28	98.66	112.37
FI Sheep Slaughter (Thou Hd)	2534	2350	Choice Beef Cutout	163.19	160.03	182.23
Live Y. Chicken Sl. (Mil Hd)	31	42	USDA Hide/Offal	204.52	202.34	216.04
Slaughter Cattle Live Weight	165.9	172.3	OK City Fdr. Str. (6-7 Cwt.)	7.24	7.08	8.97
Slaughter Hog Live Weight	1366	1336	Natl. Negotiated Purchase	152.86	152.66	153.20
Slaughter Lamb/Sheep Live Wt.	284	278	Natl. Net Hog Carcass	38.72	42.20	74.05
Beef Production (Mil Pounds)	131	127	Feeder Pigs (40 Lbs) (\$/Head)	56.89	57.06	82.66
Pork Production (Mil Pounds)	527.2	524.7	Pork Cutout	15.47	16.28	35.32
Lamb, Mutton Prod. (Mil Lbs.)	536.7	488.5	Lamb Cutout	68.41	68.30	88.88
Previous 6 Wk. Moving Avg.	2.0	2.7	Cheddar, 40 lb Block(\$/lb)	358.94	356.23	348.12
Total Beef (Mil Lbs)	525.2	513.4	Corn, Omaha (\$/Bu)	2.76	2.77	1.84
Total Pork (Mil Lbs)	522.6	481.2	Soybeans, Cntrl IL (\$/Bu)	2.97	2.99	4.09
Total Lamb, Mutton (Mil Lbs)	2.3	2.4		8.76	8.90	8.61

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

Trends . . . CATTLE FEEDING RETURNS

July cattle feeding returns posted the bleakest month yet in 2020. Livestock Marketing Information Center (LMIC) estimated losses were about \$200 per head for cattle marketed in July. That was the fifth consecutive month of red ink. LMIC has been estimating monthly cattle feeding returns since the mid-1970s. Those estimates assume feeding-out a 750-pound steer in a commercial Southern Plains feedlot and include all costs of production. The estimates are not survey-based and presume normal weather conditions. Cash prices are used, that is, fed cattle prices and feedstuff costs are not hedged. Furthermore, it assumes a normal marketing window, based on a standard cost of gain.

All that being said, this year has not been normal and animals have been on feed a good deal longer. Still, if we think back to feeder cattle prices 6-8 months ago, prices were high. A 750 lbs. medium and large 1 frame steer in Kansas averaged above \$140 per cwt for January and February. Those same prices were over \$145 per cwt in November and December of 2019. Fed cattle prices in



Kansas averaged \$95.23 per cwt in July, leaving only \$200-\$300 to cover variable costs during the feeding timeframe per animal. For most feedlots, regardless of feeding 120 days or 180 days, it was not enough to cover costs. KSU feedlot data suggests that the cost of gain was about \$500 per head in May to feed a steer to slaughter weight.

Feedlots are still likely to face further losses in 2020. Feeder cattle prices did come down in March through May, but June and July added \$10 plus per cwt to those prices. Feed costs are still expected to be lower than a year ago, but the large risk to the feedlot sector remains fed cattle prices. As a margin business there is still a large amount of uncertainty for cattle marketed in the next few

months. LMIC puts breakeven projections for August at \$109 per cwt, and fed cattle prices are well below that figure. September marketed cattle face a lower breakeven which in early August indicated a net return very close to \$0 per head. Fourth quarter prospects are more promising, in part because of lower projected breakeven levels. Live cattle futures contracts, too, are more optimistic in those months and indicate cattle feeders may see profits heading into next year. LMIC currently projects those gains less than \$100 per head. There is still a lot of uncertainty in the fed cattle market and it is very much contingent on beef demand. LMIC projections for fed cattle prices are in line with the recent futures, if not slightly more optimistic for December and into 2020.

DROUGHT UPDATE

Drought conditions have continued to worsen through the summer. The latest drought map showed more than 50% of the continental U.S. covered in some level of unusual dryness. The bulk of conditions are in the first drought category of abnormally dry, over 20% of the U.S. The next largest category is D1, accounting for about 18% of the U.S. and is considered in a moderate drought. About 12% is listed as Severe and another 3% of the U.S. is in extreme drought.

Although none of the U.S. was characterized as exceptional drought, conditions are not trending favorably. The trajectory of this drought has been one of steady worsening conditions. Three months ago only 30% of the U.S. was in any stage of drought and 6% were in Severe to Exceptional categories. Nearly every region of the continental U.S. is dealing with dryness on some level. National Oceanic and Atmospheric Administration stated June was the 24th warmest June on record and the 39th driest in a 126-year history. July's press release is forthcoming.

Increasing drought conditions have led to deteriorating pasture conditions in the U.S. Over 30% are listed as poor or very poor conditions. Mexico has also been experiencing considerable dryness. The North American Drought Monitor showed large parts of Mexico experiencing dry conditions. Feeder cattle imports from Mexico have been strong in June and July. June Mexican feeder cattle exports to the U.S. were up 48%, and July was up 56% compared to last year. Prices at the border for these cattle have not been good, which suggests there is some forced selling that is occurring.

TURMOIL IN THE SHEEP AND LAMB INDUSTRY

The U.S. sheep industry is facing another challenge from the bankruptcy, sale, and subsequent closure of the Mountain States Rosen (MSR) slaughter facility located in Greeley, CO. As a result, the plant was sold to neighboring, and prior owner, JBS USA Holdings, Inc., which plans to use the site for further processing of beef. The MSR plant reportedly had the ability to process 6,000 head per week and about 350,000 head annually but had been operating at a lower throughput. As the second largest lamb processing facility in the U.S. the closure has created concern from producers who may be left with limited options to process their lambs. As the MSR lamb slaughter facility has closed another state-of-the-art facility, Colorado Lamb Processors in Brush, CO, is near completion and anticipated opening is unknown.

The industry will likely not have slaughter animal prices reported by the USDA, due to confidentiality guidelines imposed by the Agricultural Marketing Service. For week ending 7/31 and 8/7/20, negotiated prices for slaughter lambs were not reported in the USDA AMS National Weekly Slaughter Sheep Review, and pelt prices were absent. The closure of this facility has wide sweeping implications for price reporting. It is possible these prices will remain unreportable indefinitely. It should be noted that the opening of the new plant in Brush will not automatically guarantee prices are reported again. Confidentiality guidelines will need to be met each week on each item. Formula and comprehensive prices for slaughter lambs are still available the week of 7/31/20, but were not reported due to confidentiality for week-ending 8/7/20. As of 8/7/2020, the lamb cutout and negotiated lamb cut pricing was still available. The lamb industry has already seen challenges associated with meeting the Livestock Mandatory Price Reporting confidentiality guidelines, and this event will make the ability to report even more difficult.

At this time, there are more questions than answers for the sheep and lamb industry. Market reporting is one aspect. Changes to lamb slaughter shackles, the DOJ investigation into the sale of MSR, and waiting for the implications of the new lamb facility on marketing are just a few.