

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

September 4, 2020

Production			Prices			
Week Ending 9/5/2020			Weekly Average (\$/Cwt)			
FI Cattle Slaughter (Thou Hd)	Last	Year Ago	Live Steer	Last	Week Ago	Year Ago
FI Hog Slaughter (Thou Hd)	633	571	Dressed Steer	103.18	105.09	101.73
FI Sheep Slaughter (Thou Hd)	2484	2217	Choice Beef Cutout	163.11	166.53	165.83
Live Y. Chicken Sl. (Mil Hd)	34	33	USDA Hide/Offal	227.39	229.91	229.51
Slaughter Cattle Live Weight	169.1	177.9	OK City Fdr. Str. (6-7 Cwt.)	7.88	7.82	9.18
Slaughter Hog Live Weight	1365	1350		146.30	150.06	NQ
Slaughter Lamb/Sheep Live Wt.	283	282	Natl. Negotiated Purchase	44.26	42.45	53.81
Beef Production (Mil Pounds)	129	128	Natl. Net Hog Carcass	59.84	59.08	67.84
Pork Production (Mil Pounds)	527.3	466.3	Feeder Pigs (40 Lbs) (\$/Head)	27.13	23.49	36.15
Lamb, Mutton Prod. (Mil Lbs.)	524.1	466.5	Pork Cutout	76.28	73.09	73.01
	2.2	2.1	Lamb Cutout	361.04	357.06	346.87
Previous 6 Wk. Moving Avg.			Cheddar, 40 lb Block(\$/lb)	1.84	2.04	1.91
Total Beef (Mil Lbs)	534.6	516.7	Corn, Omaha (\$/Bu)	3.36	3.32	3.59
Total Pork (Mil Lbs)	541.9	499.9	Soybeans, Cntrl IL (\$/Bu)	9.69	9.45	8.38
Total Lamb, Mutton (Mil Lbs)	2.2	2.5				

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

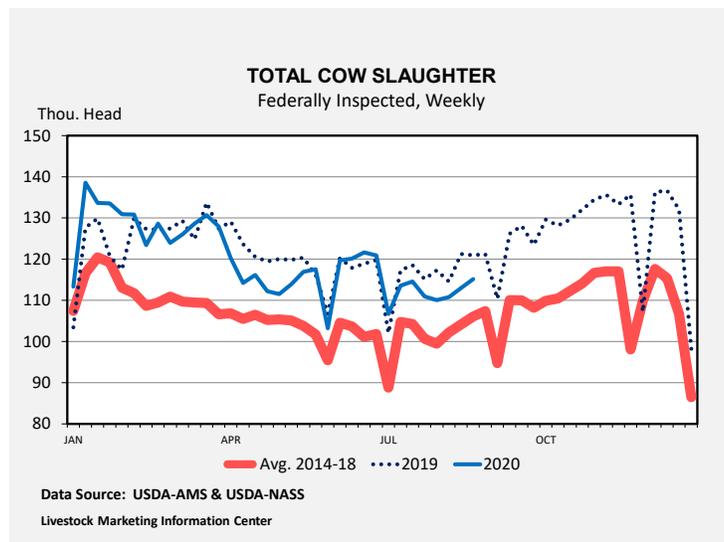
Trends. . . CULL COW PRICES AND PROSPECTS

For the last full week of August, as reported by USDA's Agricultural Marketing Service, the national price of live cull cows sold directly to packers was \$57.65 per cwt., which was about \$2.00 per cwt. above 2019's. That price was more than \$15.00 per cwt. below the prior 5-year average (2014-18). Prices in some areas of the U.S. have moved lower during August. For example, auctions in Western Kansas began the month at \$58.25 per cwt., and ended at \$42.71. That market strengthened week-over-week in early September to \$50.87. Generally, year-over-year increases in cull cow prices are expected for the balance of this year and throughout next year.

Both supply and demand economic forces are at work in the cull cow market. The seasonal price pattern shows the lowest prices in the last two months of the calendar year, when most U.S. cow-calf operations cull cows. Typically, U.S. prices begin to erode quickly in late September and continue dropping throughout November.

Within the seasonal cow slaughter pattern, it is essential to look for non-typical changes. For beef cows, that is usually associated with long-term (multi-year) drought. Surges in dairy herd culling are driven by stressed milk producer margins. For the next few months, cow slaughter levels could rise if milk prices collapse. Of course, dramatic year-over-year seasonal slaughter increases tend to lower cull cow prices (if harvest decreases, prices rise).

Besides cull cow supplies influencing the market, there are more dimensions to consider. First are beef imports, especially from countries like Australia and South American, which sell lots of lean beef from



non-fed animals (i.e., cows, bulls, grass-fed). In recent years, drought in Australia has caused large U.S. beef imports. But, that situation has improved.

With the large cow slaughter levels of recent years, there has been a lack of harvest capacity, especially in some regions of the U.S. That will become a less critical factor depressing prices if culling rates begin to subside as expected. Finally, LMIC is forecasting some strength in fed cattle prices, which tends to be supportive of cull cow prices, too.

STEER CALF PRICES

From January through August, Southern Plains 500-to 600-pound steer prices averaged \$159.41 per cwt. In August, those prices increased to the highest monthly average since before the pandemic, averaging \$161.78 per cwt. It's somewhat surprising to see prices strengthening in August. Seasonally, steer calf prices typically decline from July through October, and finish out the year below the first half of the year. The majority of U.S. calves are born in the spring, creating a larger supply of market-ready steers in the fall when those animals are weaned.

This year has been different in several obvious ways related to the pandemic. Also, the normal seasonal trends in feedlot placements have been affected by drought-stressed areas of the U.S., where pasture and range conditions have continued to deteriorate. It is likely in those areas that calves are being early weaned. Furthermore, corn prices below a year ago have helped buffer feeder cattle prices through most of the summer; that's good for calf prices. Nationally, corn prices are likely to remain below a year ago well into 2021, lowering the cost of gain for cattle in feedlots. Cattle feeders are primed to add cattle after showing several months with head placed on-feed below a year ago. Bunched-up yearlings that have been on summer grazing programs and forced off grass due to drought, especially in the Western regions of the U.S., have dampened feeder cattle prices (e.g., 700-to 800-pound steers). That may spill back into the calf market (e.g., 500-to 600-pound steers).

Weather conditions may continue to play a significant role in how calves are priced in the coming months. For example, in the Southern Plains, small grain (e.g., wheat) pasture prospects used for grazing recently received some beneficial rain, and there is some optimism about grazing availability. However, it is still early in the planting season for those crops/pastures. That forage will not be available for cattle to graze until October, and in some situations begin even later in the year. Steer calf (500-to 600-pounds) prices in the Southern Plains may falter slightly in September and finish the quarter between \$157-158 per cwt, implying September prices at about \$157 per cwt or lower.

A foundation for calf prices is being provided by a calf crop that has been slowly shrinking for the last two years. Steer calf prices in the fourth quarter of 2020 are expected to remain a little below \$160 per cwt, but could slip further in the Southern Plains if winter forage prospects deteriorate or if the U.S. corn crop turns out to be smaller than currently expected. In 2019, the fourth quarter price was \$158.18 per cwt.

SMALL CHANGES IN CANADIAN NUMBERS: CATTLE DOWN, HOGS UP

Statistics Canada released mid-year survey results for their inventories of cattle and hog; those numbers also were summarized, along with previously reported U.S. numbers, by USDA's National Agricultural Statistics Service. Compared to a year ago, as of July 1, the Canadian cattle population was slightly lower, and the hog herd increased somewhat.

In Canada, the total number of cattle and calves as of July 1, 2020, was 12.235 million, a year-over-year decline of 65,000 head (-0.5%). Compared to a year earlier, the number of beef cows slipped by nearly 51,000 head (-1.4%), while the dairy herd count was essentially unchanged. Heifers held for beef cow replacements were down from 2019's by 0.8%. Heifers for dairy replacements were steady.

Except for a tiny uptick in the July 1, 2017 count, the Canadian mid-year cattle inventory has been in a downtrend since 2005, when it reached 16.880 million animals. To date, that is a drop of 4.645 million cattle (-27.5%). At their peak in 2005, beef cows totaled 5.346 million animals, compared to this year at 3.616 million, which is down 32.4%. In 2005, as of July 1, Canada comprised 14.1% of the combined U.S. and Canadian beef cowherd. This year, that percentage was 10.1%.

On July 1, the inventory of Canadian hogs and pigs was 14.0 million, which was a slight year-over-year uptick of 25,000 animals (up 0.2%). Animals kept for breeding (breeding herd) came in at 1.242 million, up 18,000 (plus 1.5%). The breeding herd was the largest since the 2017 count (1.254 million). Compared to a year ago, the number of market hogs was only 8,000 head bigger than 2019's. Since 2016, the Canadian hog mid-year numbers have fluctuated in a relatively narrow range (total inventory between 13.975 and 14.200 million animals). As of July 1, Canadian hogs account for 15% of the U.S. and Canada total.