

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

December 18, 2020

Production			Prices			
Week Ending 12/19/2020	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	659	668	Live Steer	106.06	106.75	120.36
FI Hog Slaughter (Thou Hd)	2792	2825	Dressed Steer	165.13	167.77	191.85
FI Sheep Slaughter (Thou Hd)	38	43	Choice Beef Cutout	208.77	220.51	211.63
Live Y. Chicken Sl. (Mil Hd)	165.8	167.3	USDA Hide/Offal	9.00	8.80	9.14
			OK City Fdr. Str. (6-7 Cwt.)	145.33	141.82	148.53
Slaughter Cattle Live Weight	1392	1377	Natl. Negotiated Purchase	53.18	54.71	47.96
Slaughter Hog Live Weight	294	287	Natl. Net Hog Carcass	66.14	66.51	63.85
Slaughter Lamb/Sheep Live Wt.	125	125	Feeder Pigs (40 Lbs) (\$/Head)	56.15	55.83	65.70
Beef Production (Mil Pounds)	553.5	551.9	Pork Cutout	74.14	78.35	77.78
Pork Production (Mil Pounds)	611.3	604.9	Lamb Cutout	388.35	379.64	347.84
Lamb, Mutton Prod. (Mil Lbs.)	2.4	2.7	Cheddar, 40 lb Block(\$/lb)	1.75	1.94	1.95
Previous 6 Wk. Moving Avg.			Corn, Omaha (\$/Bu)	4.33	4.16	3.77
Total Beef (Mil Lbs)	543.3	538.8	Soybeans, Cntrl IL (\$/Bu)	12.13	11.64	9.41
Total Pork (Mil Lbs)	587.0	581.6				
Total Lamb, Mutton (Mil Lbs)	2.2	2.6				

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

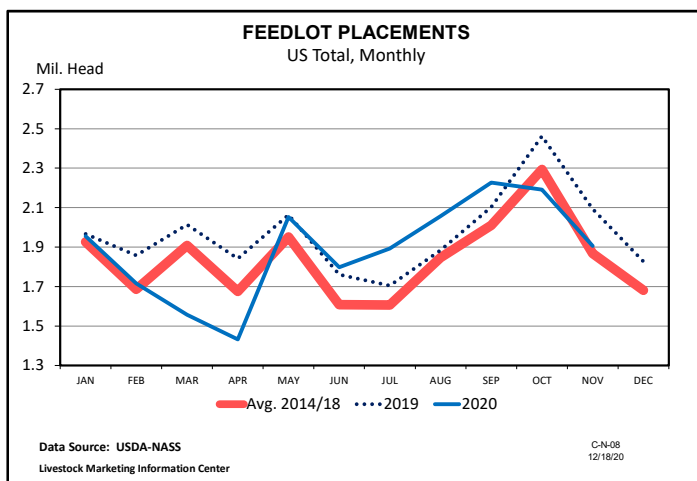
Trends. . . CATTLE ON FEED INVENTORY EVEN WITH A YEAR AGO

Cattle on feed inventory has worked back down to even with the 2019 numbers in the month of November. Placements below a year ago in October and November helped greatly reduce inventories on feed. October placements were down by more than 10%, and November settled in at 9% below 2019. The marketing pace slipped slightly in November, although slaughter days were equivalent to a year ago, but this did not offset the reduction in placements. USDA NASS reported cattle on feed inventory in 1000 head capacity or greater yards and larger to be merely 5,000 head higher than 2019's, totaling 12.036 million head.

Nearly all categories of placement weight groups saw declines compared to last year, except 900-999 pound animals. These animals will take significantly shorter days on feed and will be slaughter-ready around the end of the first quarter of 2021. November placements of this weight group were unchanged from a year ago at 130,000 head. The breakdown by state of the upper weight categories is not provided due to confidentiality reasons. However, 900lbs+ is provided. States that did not see a decline in heavy weight placements include Texas, and Kansas. Colorado and Nebraska both

decreased 900 lbs. and higher placements from a year ago. Other states also were even with a year ago.

Further adding to the supply puzzle, the number of cattle on feed over 120 days tipped back above a year ago, brought on by higher placement numbers in the third quarter and lower marketings in November. So far, December fed slaughter numbers are showing aggregate numbers above a year ago, but taking into account the extra slaughter day in the first half of December, daily average marketings indicate the marketing rate is averaging about 8 tenths of a percent below last year.



From a placement perspective, December auction volumes of feeder cattle receipts appear to have increased from December of last year, but border-crossings of feeder cattle continue to be below a year ago from Mexico. The five-year average indicates December placements drop about 15% from November levels. Given November's already low placements, expect December 2020 placements to have a restrained seasonal move compared to the five-year average.

SOW SLAUGHTER AND FARROWINGS

Sow slaughter has been interesting to watch this year as the pace steadily increased through August then started to slow going into the later part of the year. Year-to-date weekly slaughter through August peaked at 12.3% above a year ago, totaling nearly 2.24 million head compared to just under 2.0 million in 2019. As of the first week of December year-to-date sow slaughter is 10.2% above the same period as last year totaling over 3.11 million head. The pace of sow slaughter can provide an indication as to farrowing intentions in future quarters which has implications for the pig crop and available slaughter hog supplies.

The Dec 1 Hogs and Pigs report is scheduled to be released on December 23, 2020, and will provide further details on hog inventories. As the sow slaughter data has indicated a slower pace in recent months, farrowings and farrowing intentions will be items to watch. The Sep 1 Hogs and Pigs report had farrowing intentions for the Sep-Nov and Dec-Feb periods down 4.5% and 1.5%, respectively to 3.118 and 3.111 million head. When that survey was administered, during the first week of September, the National Base Slaughter Hog Carcass price was around \$60 per cwt, which may not have provided much producer optimism. By mid-October, the hog price rose to \$75.34 per cwt, the highest price reported for 2020. Prices have since moderated to just over \$65 per cwt. At the same time, both corn (Omaha) and soybean (Central Illinois) prices have also gained strength rising to over \$4.30 and \$12.10 per bushel as of mid-December.

Although feed costs have risen, so have hog prices which may fuel optimism in the hog sector. In 2020, the first farrowing intentions for Mar-May and Jun-Aug dropped less than 1% compared to the second farrowing intentions, while Dec-Feb and Sep-Nov both increased by almost 1%. When comparing the first intention to the final farrowing number, the first three quarters this year have increased about 30-55 thousand head, or just over 1%. Producers are likely conservative with the first reported farrowing intentions and steadily increase farrowings as more market information becomes available. Pre-report industry estimates expect Sep-Nov farrowings down 3.7% (3.144 million), Dec-Feb down 1.8% (3.101 million), and Mar-May down 1.4% (3.128 million).

RECORD BEEF AND PORK LIVE TO CUTOUT SPREAD

In less than two years the live to cutout beef price spread has seen the top five values occur since the series started in 1987. LMIC calculates the live to cutout spread on a per 1000 lbs. of steer. As COVID-19 events unfolded the boxed beef value rose in April while cattle prices fell, causing a spike in the live to cutout spread of \$705.51 per 1000 lbs. of steer. Further, disruptions at slaughter facilities in May caused the live to cutout spread to jump to an unprecedented level of \$1,592.01, an all-time record high, as the boxed beef value spiked to \$420 per cwt and cattle prices were \$113.95 per cwt. June 2020 found the third highest live to cutout spread of \$575.47. The fourth and fifth-highest positions followed the Holcomb, KS beef plant fire: August 2019 (\$491.82) and September 2019 (\$484.60). Since July this year, the spread remains nearly double the five-year average. The latest month, November, was \$442.29, 3.0% above last year and the highest value for the month in the series. Beef cutout values in December are close to a year ago but steer prices are lower indicating beef packer margins will likely be above 2019 levels again this December.

Two of the top five record pork live to cutout spreads have occurred in 2020, May and October. May 2020 set the record at \$95.67 per head followed by November 2016 (\$63.87) as the second-highest, November 2019 (\$62.71) in the third spot, October 2020 (\$62.71) ranks fourth and December 2016 (\$61.02) was the fifth-highest on record. Although the May hog price (National Weighted Average Base Carcass) of \$69.76 per cwt was not the lowest for 2020, the spike in cutout value to \$105.78 helped the spread reach a record. The combination of a jump in the pork cutout and lower hog prices helped the live to cutout spread reach a record level in May this year. The May pork live to cutout spread reached \$95.67 per head, more than \$30 per head above the second-highest level set in November 2016 (\$63.87). Since then, pork packer margins have declined. The November live to cutout spread was only \$49.33, similar to the five year average and below 2019. Weaker hog prices and pork cutout values in December will likely lead to a live to cutout spread in December that will be below 2019's.