

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

May 21, 2021

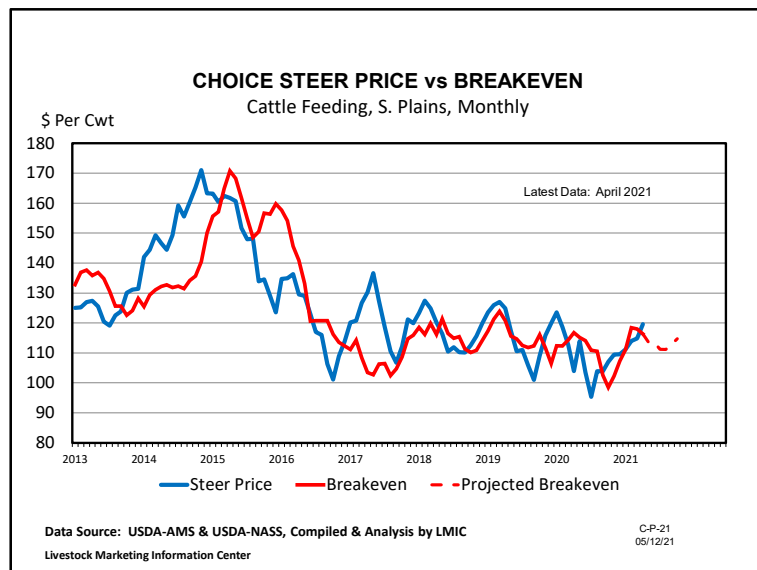
Production			Prices			
<b>Week Ending 5/22/2021</b>	Last	Year Ago	<b>Weekly Average (\$/Cwt)</b>	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	669	571	Live Steer	119.71	119.73	117.06
FI Hog Slaughter (Thou Hd)	2393	2180	Dressed Steer	190.56	190.49	183.35
FI Sheep Slaughter (Thou Hd)	38	45	Choice Beef Cutout	323.14	314.06	405.40
Live Y. Chicken Sl. (Mil Hd)	163.8	160.6	USDA Hide/Offal	12.07	12.00	7.01
			OK City Fdr. Str. (6-7 Cwt.)	148.91	149.04	141.63
Slaughter Cattle Live Weight	1366	1370	National Negotiated Hogs	110.29	115.01	38.38
Slaughter Hog Live Weight	289	293	Natl. Net Hog Carcass	106.80	107.83	69.59
Slaughter Lamb/Sheep Live Wt.	124	133	Feeder Pigs (40 Lbs) (\$/Head)	79.78	87.85	18.80
Beef Production (Mil Pounds)	550.7	470.5	Pork Cutout	118.14	114.47	99.94
Pork Production (Mil Pounds)	516.3	474.4	Lamb Cutout	473.84	454.73	351.06
Lamb, Mutton Prod. (Mil Lbs.)	2.4	3.0	Cheddar, 40 lb Block(\$/lb)	1.83	1.82	1.22
<b>Previous 6 Wk. Moving Avg.</b>			Corn, Omaha (\$/Bu)	7.01	7.09	3.03
Total Beef (Mil Lbs)	536.6	403.4	Soybeans, Cntrl IL (\$/Bu)	15.65	16.33	8.39
Total Pork (Mil Lbs)	523.9	431.6				
Total Lamb, Mutton (Mil Lbs)	2.6	2.6				

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

### Trends. . . CATTLE FEEDING RETURNS VOLATILE

Estimated cattle feeding returns have already logged a volatile year, swinging from +\$40 per head to -\$60 per head. Escalating feed costs are partially to blame, but those costs have largely been one dimensional, rising since August of last year. More unusual has been the cost of the feeder animal. LMIC assumes a placement weight of 750 pounds. The average price of a 750 pound steer in Dodge City, KS since August has moved from \$145 per cwt to \$134.69 in January. Since January, feeder prices have been climbing and April was listed at \$141 per cwt, despite feed costs continuing to rise. This has made for multidirectional returns so far this year and more unevenness to follow.

LMIC cattle feeding returns assumes a 6 month feed window. Break-evens have been declining since January because of the rapid decline in feeder prices 6 months prior. However



June will be the last month of declining feeder costs, and those breakeven prices are expected to rise at least through September. May feeder cattle costs are expected to drop significantly, offering an opportunity for cattle feeders to make money in the fourth quarter.

Current futures prices imply fourth quarter margins will be very good for feedlots. LMIC projected break evens currently list October at about \$115 per cwt, nearly \$10 under the current October Live Cattle Contract. More distant deferred Live Cattle contracts

are even higher, which should bode well for cattle feeding returns into the first half of 2022. The feeder cattle market will remain reactive to feed costs, but in recent weeks, escalating feed costs have taken a breather. The feed markets will continue to watch weather, planting progress and exports for the remainder of this crop year.

#### RECORD LAMB CUTOUT VALUE

The lamb cutout value continues to set new record highs with the most recent record value of \$464.33 per cwt set the first week of May. Last week the cutout value did drop by \$9.61 per cwt (2.1%) to \$454.73. Since the start of the year to the most recent record high value, the lamb cutout has gained \$80.67 per cwt in value or 21.0%. The major primal values have also seen records set within the last several weeks. The shoulder (square cut), leg (trotter off), and rack (light) all reached record price levels last week to \$378.47, \$510.88, and \$1,062.02, respectively. The loin (trimmed 4x4) reached its record level two weeks ago at \$809.98 per cwt but has since decreased to \$763.33.

The rise in the lamb cutout value has filtered down to feeder and fed lamb prices. The national negotiated live slaughter lamb price reached \$198.88 and is quickly closing in on the record price of \$204 set nearly a decade ago in July 2011. Since the start of the year, the slaughter lamb price has gained 29.1% (\$44.85 per cwt) which has exceeded the 21.0% gain in the cutout value over the same period. The three-market average (CO, TX, and SD) feeder lamb price has fluctuated since the start of the year but has managed to average over \$260 per cwt this year which is well above the five-year average of around \$200 per cwt.

Weekly sheep and lamb slaughter started to see levels increase the last week of February which would be expected given Easter was earlier this year on April 4th. Typically slaughter levels will start to decline following Easter but this year the pace has remained steady. Since the last week of February, preliminary estimated weekly sheep slaughter averaged about 36,000 head, but actual weekly slaughter averaged about 41,500 head, around 5,500 head higher on average. Recent weeks have seen actual slaughter as much as 10,000 head higher than the estimated slaughter for the same week. These are levels well above pre-pandemic weekly slaughter and higher than levels prior to the close of the Mountain States Rosen plant in July 2020. The higher actual slaughter shows that the increased slaughter capacity is starting to take effect in the industry. Record cutout values highlight the post-pandemic demand recovery that is starting to occur which is giving an economic incentive for packers to slaughter lambs and producers to actively market lambs.

#### BEEF AND PORK LIVE TO CUTOUT SPREAD

The cattle live to cutout spread jumped to \$925.91 per 1000 lbs. in mid-May which is the highest value since the pandemic spike of \$1,839.10 exactly one year ago. Aside from the pandemic highs in the live to cutout spread during May 2020, last week's live to cutout spread is the highest value on record going back over three decades. The cutout value is calculated by taking the Choice 600-900 lbs. boxed beef value (assuming a dressing percentage of 63%) and then subtract the Kansas live steer price and by-product value, which is then converted to a 1000 lbs. basis.

The significant rise in live to cutout value is due to the boxed beef cutout value rising 51.9% (\$107.33) since the start of the year to \$314.06 per cwt. Conversely, year-to-date, the Kansas live steer price has only gained 6.5% (\$7.26) to \$119.18 per cwt. Reduced throughput of cattle at slaughter facilities due to COVID-related safety protocol has limited upside potential for cattle prices. As more of the economy reopens strong demand has been a key driver behind the impressive rise in the boxed beef cutout value and the live to cutout spread.

The hog live to cutout spread has seen minimal change since the start of the year, averaging about \$50 per head, unlike the rise in the cattle live to cutout spread. Since the start of the year, the pork cutout value has risen 45.3% (\$35.70) to \$114.47 per cwt in mid-May which is nearly equal to the pandemic high of \$115.12 but still below the record high of \$136.11 set in July 2014. As the pork cutout has moved higher, hog prices have gained as well, rising 64.1% (\$42.13) since the start of the year to \$107.83, a price level that has not occurred since October 2014. Robust demand and tighter hog supplies are helping to keep the hog market current, which is supporting both hog prices and the cutout value.