

Livestock Monitor

Market Situation Newsletter

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA



Market Indicators . . .

January 22, 2021

| Production | | | Prices | | | |
|-----------------------------------|-------|----------|--------------------------------|--------|----------|----------|
| Week Ending 1/23/2021 | | | Weekly Average (\$/Cwt) | | | |
| FI Cattle Slaughter (Thou Hd) | Last | Year Ago | Live Steer | Last | Week Ago | Year Ago |
| FI Hog Slaughter (Thou Hd) | 657 | 644 | Dressed Steer | 109.23 | 109.52 | 124.30 |
| FI Sheep Slaughter (Thou Hd) | 2738 | 2707 | Choice Beef Cutout | 172.59 | 173.06 | 198.83 |
| Live Y. Chicken Sl. (Mil Hd) | 35 | 36 | USDA Hide/Offal | 219.09 | 210.82 | 214.78 |
| Slaughter Cattle Live Weight | 168.9 | 174.5 | OK City Fdr. Str. (6-7 Cwt.) | 9.30 | 9.28 | 9.20 |
| Slaughter Hog Live Weight | 1393 | 1376 | Natl. Negotiated Purchase | 142.59 | 147.64 | 150.32 |
| Slaughter Lamb/Sheep Live Wt. | 294 | 289 | Natl. Net Hog Carcass | 54.89 | 54.31 | 52.00 |
| Beef Production (Mil Pounds) | 127 | 135 | Feeder Pigs (40 Lbs) (\$/Head) | 67.51 | 67.27 | 65.19 |
| Pork Production (Mil Pounds) | 550.2 | 530.9 | Pork Cutout | 70.33 | 65.12 | 65.45 |
| Lamb, Mutton Prod. (Mil Lbs.) | 601.6 | 584.4 | Lamb Cutout | 79.61 | 80.26 | 78.05 |
| Previous 6 Wk. Moving Avg. | | | Cheddar, 40 lb Block(\$/lb) | 386.64 | 386.68 | 362.03 |
| Total Beef (Mil Lbs) | 495.4 | 497.2 | Corn, Omaha (\$/Bu) | 1.70 | 1.67 | 1.89 |
| Total Pork (Mil Lbs) | 544.6 | 540.8 | Soybeans, Cntrl IL (\$/Bu) | 5.04 | 5.15 | 3.90 |
| Total Lamb, Mutton (Mil Lbs) | 2.2 | 2.4 | | 13.84 | 14.47 | 9.15 |

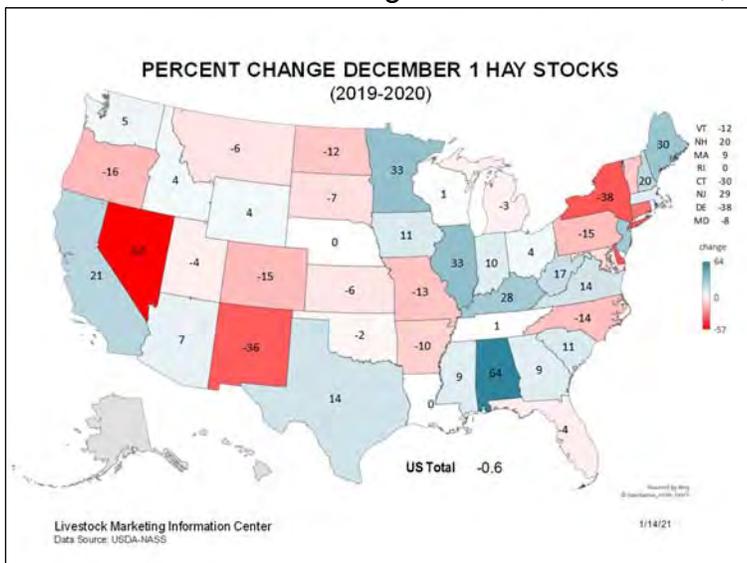
Source: Various USDA-AMS reports. Data are preliminary.

Trends. . . DECEMBER 1 HAY STOCKS CONTRACT

December 1 hay stocks was released earlier this month by USDA- NASS, confirming that hay inventories are tighter than a year ago. The December 1 figure is an all hay measure, and showed total hay was about 500 thousand tons smaller than 2019, or down about half a percent. States across the West, northern High Plains, and Northeast showed smaller inventories. Nevada was the hardest hit state, dropping inventories 57% from a year ago. New Mexico and New York also had substantially smaller inventories. Twenty-one states showed hay stocks below a year ago. Twenty-four states increased hay inventories, with Alabama leading that group on a percentage basis, up 64% from a year ago.

On a total tonnage basis, Texas had the highest inventory, totaling 6.4 million tons. Missouri was the second highest at 6.0 million tons, but showed significant decrease from last year, declining 900,000 tons in inventory.

This was the largest year-over-year decline of all states. New York was the second largest, dropping 600,000 tons. Unlike Missouri, New York's levels have hit a historically low value of 1 million tons. This is the lowest value for this state in our data going back to 1973. Nevada had the third largest decline, dropping 535, 000 tons, and similar to New York, is experiencing the tightest stock levels in 47 years. Nevada produces more alfalfa than other hay, and experienced



significant yield declines this year, down half a ton per acre.

New seedings of alfalfa are at their lowest level in 47 years, indicating acreage won't increase noticeably for several years. This is also expected to support prices for several years, and prices may reach a level where livestock producers will be forced to substitute away from alfalfa in some regions. Regional conditions of hay supply and demand will be drivers for feed rations. The LMIC predicts national alfalfa prices to be above a year ago in 2021. Other or grass hay prices may weaken with more normal yields this year, but supplies are expected to be tight for the first part of the new marketing year.

PORK CUTOUT VALUE

In the first three weeks of 2021, the pork cutout value has been above last year and the five-year average, starting 2021 at \$78.77 per cwt and rising to \$80.26 last week, a 1.9% (\$1.49) increase. The strength in the pork cutout has been aided by the belly, ham, and rib primal values. At the start of 2021, the belly values jumped \$24.00 per cwt (23.4%) above the last week of 2020 to \$102.63 per cwt. The following week, belly values cooled some declining 2.7% to \$123.17 per cwt. This week the belly values further softened by decreasing to about \$120 per cwt. Ham values have also started the year off strong by gaining \$15.42 per cwt (25.2%) to \$76.64 per cwt in just the first three weeks of the year. The rib values have shown improvement to start the year with a 3.9% increase through the first three weeks, reaching \$148.92 per cwt.

The pork cutout values strong start for the year has helped bolster the live to cutout spread with the first three weeks averaging near \$50 per head. The five-year average live to cutout spread has been about \$45 per head. The strong pork cutout value has helped buoy the live to cutout spread but another contributing factor is due to pork by-product values which have been holding near an average of \$4.40 per cwt for several weeks. The five-year annual average for pork by-products is \$3.70 per cwt. Combining both the pork cutout and pork by-product value has partially offset rising hog prices to keep the live to cutout spread elevated.

The base slaughter hog price (national, weighted average carcass) finished 2020 with a typical seasonal decline during the fourth quarter ending the year at \$61.85 per cwt. The first week of 2021, hog prices rose \$2.62 per cwt (4.2%) to \$64.47 per cwt in one week. This was followed by another 2.1% increase the following week to \$65.80 per cwt. If hog prices continue to climb, they may partially offset gains in the pork cutout and narrow the live to cutout spread.

CATTLE ON FEED PLACEMENTS HIGHER THAN EXPECTED

Cattle on feed beat analyst expectations, placing cattle at a rate greater than a year ago. Placements came in 0.7% higher than last year, or 1.842 million head. Stronger placements were largely from drought stressed areas. Colorado saw a large percentage increase. Other states with higher placements included California, Arizona, Idaho, Kansas and Nebraska. Iowa added 21 thousand head but placements for Texas fell 30 thousand head from a year ago. Oklahoma was down 16 thousand head.

The weight breakdown shows larger animals account for all of the increase in placements. Weight categories between 700 to 1000 pounds were all above last year. Heavy cattle, 900-999 pounds saw the largest percentage gains, up 16% compared to last year. The 800-899 pound animals were the second highest percentage, up 7%, followed by 700-799 pound animals up 3%. The two lighter weight placement categories, under 600 pounds, and 600-699 pounds, were both below a year ago. Colorado had higher placements in the lightweight categories, but Nebraska and Kansas both showed greater numbers in the heavier categories.

Overall, the dryness in the West likely played a key role in moving animals into feedlots. Hay supplies are tighter and the whole feed complex has moved up significantly. LMIC has feedlot break-evens for cattle placed in December around \$109 in the Southern Plains. There has been opportunities to lock in profits, but January placements may look different. Feed costs have escalated significantly since December. In the last week, boxed beef cutout values have climbed as well on better demand which has helped support cattle prices. If these prices can hold, they will offset higher feed costs, and help stabilize cattle feeding margins.