Market Indicators . . .  May 8, 2020

Trends . . . FEEDLOT COST OF GAIN DECLINING

Cattle prices, both feeder and fed, have collapsed year-over-year. But, so have feedstuff costs, especially corn and hay. In the short-term, that has significant consequences for the cost of gain in feedlots. As reported by the monthly Kansas State University survey (Focus on Feedlots), the average steer cost of gain for March was $83.41 per cwt. Kansas feedlot projections for mid-April averaged $74.00, the lowest since August 2018. If grain and hay costs continue to slip, as expected, that number is headed even lower.

Since February, corn prices have been dropping counter seasonally. For the week ending May 8, USDA’s Agricultural Marketing Service reported that the Texas Triangle corn price was $3.33 per bushel ($5.95 per cwt.). The Omaha average was $2.97 per bushel. Those prices were the lowest since the last two weeks of November of 2016 (i.e., harvest). Compared to a year ago, corn price was down 48 cents per bushel (12%) and 53 cents per bushel (15%) in the Texas Triangle and Omaha, respectively.

The Livestock Marketing Information Center (LMIC) calculates a monthly cattle feeding projected breakeven sale price using feedstuff costs when a 750-pound steer is put on-feed, assuming typical feeding conditions (including weather) in a commercial Southern Plains feedlot. Also, LMIC calculates adjusted monthly breakevens based on changes in feedstuff costs. This year, lower trending feedstuff costs have consistently pulled down the adjusted breakevens compared to the when placed calculation.
Using feedstuff costs fixed at the time of placement, a 750-pound steer sold in April had a 
brakeven sale price of $115 to $117 per cwt. The estimate for a steer to be sold in September and 
placed on-feed last month (April) was $97 to $98 per cwt. Of course, in addition to lower feedstuff costs, 
feeder cattle prices also have been declining.

Those looking at weak cattle prices need to recognize that cost of feedlot gain also has been 
dropping. As this summer unfolds, producers running summer stockers and even cow-calf operations 
may want to carefully evaluate retained ownership. Some pre-planning and attention to projected cost 
of gain may pay off.

RECORD FIRST QUARTER PORK EXPORTS, BEEF UP TOO

U.S. pork exports were 701.6 million pounds (carcass weight) for the month of March, making it the 
largest single month ever. March pork exports grew 5.8% and 6.6%, respectively, over January (663 
million lbs.) and February (658 million lbs.). Shipments this year and surged 36.1% higher than the 
same month last year. This also marks the largest first quarter pork exports recorded at 2.023 billion 
weights, which is 39.9% higher than 2019’s. With record pork exports in the first quarter of 2020 also 
came record U.S. commercial pork production for the first quarter at 7.426 billion pounds, up 8.9% from 
first quarter 2019. Over 27.2% of first quarter 2020 U.S. pork production was exported.

In March, China easily captured the top destination for U.S. pork with 190.4 million pounds shipped, 
a more than three-fold increase from last year, representing a 27.1% market share for the month. The 
number two destination for U.S. pork in March was Mexico at 140.7 million pounds (up 9.5% year-over-
year), followed by Japan with 114.1 million pounds (up 18.2%), Canada was 59.5 million pounds (up 
8.1%), while South Korea was 55.0 million pounds (down 9.8%).

U.S. beef exports in March totaled 267.1 million pounds, up 8.6% from last year and the highest 
monthly shipment level since July 2019. First quarter beef exports improved 10.5% over the prior year 
to 769.3 million pounds but were not record high. Growth in first quarter beef exports came from higher 
shipments to Japan (227.8 million lbs. up 17.4%), South Korea (171.0 million lbs. up 16.3%), Canada 
(73.1 million lbs. up 17.8%), and Taiwan (49.0 million lbs. up 16.8%).

FEMALE SLAUGHTER REACTS TO LOWER PRICES

Sow and female cattle slaughter both posted large year-to-date increases through the first 17 
weeks of this year. Sow slaughter (Federally Inspected) has picked up aggressively, up 9% above 2019 
levels, which will lead to smaller than earlier anticipated supplies in the second half of 2020. On a head 
basis, 89 thousand more head were harvested than a year ago. The latest Hogs and Pigs report (March 
1, 2020) showed just under 6.4 million hogs in the breeding herd. Sow productivity is high, with over 11 
pigs per litter for the last couple of quarters, suggesting rather small changes in sows can cause large 
production adjustments.

On the cattle side, year-to-date, dairy and beef cow slaughter are posting large gains, up 3.3% and 
10.6%, respectively. Dairy farmers are facing prices that have collapsed, driven by overall lower 
consumption of dairy products. Class III (used to make cheese) prices posted at $13.07 per cwt the lowest Class III price since August 2016. Class IV (used to make butter) prices in April were 
$11.40 per cwt., the lowest since September 2009. Butter and cheese product prices are down 
significantly. Butter prices on the CME spot market averaged $1.20 per pound last month and cheese 
40# blocks were $1.10. Butter prices over the last five years (2015-2019) have average $2.20 per 
pound, and cheese blocks have averaged $1.63 per pound monthly on the CME Spot market.

In the last five weeks, beef cow slaughter has slipped well below a year ago, at least in part 
reflecting labor shortages and health concerns impacting non-fed slaughter plants as well as fed kill 
plants. But dairy cow harvest has been above 2019’s. There also may be some price aspects affecting 
beef cow kill, too. Non-fed animals are largely priced on leanness. The national weekly direct cow bull 
sales report from USDA AMS indicates that 90% lean over the last couple of weeks are selling at a 
considerable premium to 85% lean and 75% lean cows. Dairy cows fit the 90% category almost 
exclusively, where beef cows more often fit some of the other categories. Over the last 6 weeks, 90% 
lean prices averaged an $8 premium per cwt to 75% lean, and $4 per cwt premium to 85% lean in 500 
pounds and up categories on a dressed delivered basis.