

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

March 13, 2020

Production			Prices				
Week Ending 3/14/2020			Weekly Average (\$/Cwt)				
	Last	Year Ago		Last	Week Ago	Year Ago	
FI Cattle Slaughter (Thou Hd)	630	608	Live Steer	109.35	113.17	127.14	
FI Hog Slaughter (Thou Hd)	2648	2453	Dressed Steer	174.20	180.80	204.25	
FI Sheep Slaughter (Thou Hd)	37	38	Choice Beef Cutout	207.15	206.94	227.70	
Live Y. Chicken Sl. (Mil Hd)	170.3	160.3	USDA Hide/Offal	8.54	8.75	9.06	
			OK City Fdr. Str. (6-7 Cwt.)	140.93	150.61	152.77	
Slaughter Cattle Live Weight	1378	1336	Natl. Negotiated Purchase	53.02	50.61	50.71	
Slaughter Hog Live Weight	288	287	Natl. Net Hog Carcass	62.28	61.36	58.83	
Slaughter Lamb/Sheep Live Wt.	136	140	Feeder Pigs (40 Lbs) (\$/Head)	55.44	55.48	70.05	
Beef Production (Mil Pounds)	522.5	485.5	Pork Cutout	68.75	66.45	67.92	
Pork Production (Mil Pounds)	569.5	524.3	Lamb Cutout	367.58	375.87	331.23	
Lamb, Mutton Prod. (Mil Lbs.)	2.5	2.6	Cheddar, 40 lb Block(\$/lb)	1.85	1.90	1.61	
Previous 6 Wk. Moving Avg.			<td>Corn, Omaha (\$/Bu)</td> <td style="text-align: right;">3.56</td> <td style="text-align: right;">3.78</td> <td style="text-align: right;">3.63</td>	Corn, Omaha (\$/Bu)	3.56	3.78	3.63
Total Beef (Mil Lbs)	522.9	489.6	Soybeans, Cntrl IL (\$/Bu)	8.69	9.05	8.66	
Total Pork (Mil Lbs)	565.3	533.0					
Total Lamb, Mutton (Mil Lbs)	2.4	2.6					

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

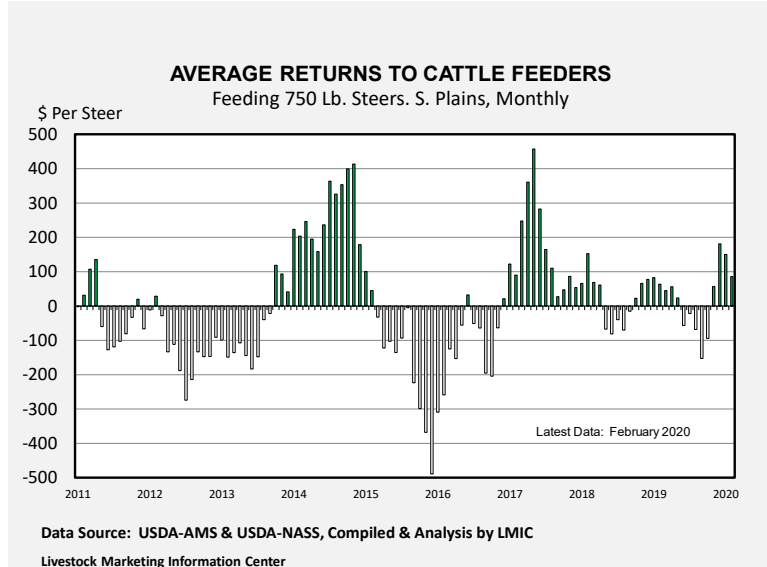
Trends . . . PROJECTED CATTLE FEEDING RETURNS FALTERING

Faltering fed cattle prices, due to coronavirus developments, have ratcheted-down profitability prospects for nonhedged animals to be closed out in the coming months. Feeder cattle prices may come under increased pressure. The lack of projected profitability for fed cattle to be sold this summer (breakeven sale prices above what summer Live Cattle futures are offering), is likely to be a factor dampening placements of animals into feedlots.

The Livestock Marketing Information Center (LMIC) has been estimating monthly cattle feeding returns since the mid-1970s. Those estimates assume feeding-out a 750-pound steer in a commercial Southern Plains feedlot and include all costs of production. The estimates are not survey-based and presume normal weather conditions. Cash prices are used, that is, fed cattle prices and feedstuff costs are not hedged.

Estimated cattle feeding returns tend to be quite variable; this year looks like it will bring more of the same. In 2019, those monthly returns averaged about \$9.50 per steer, ranging from \$180.92 for an animal sold in December down to -\$152.85 for September. Over the prior five years (2014-18), the annual average was about \$23.00 per steer. The 10-year per animal average was about -\$7.00.

On average, February's estimated closeout profitability was not as good as expected earlier this year and came in below January's. For steers sold during January, the LMIC estimated profitability at \$150.00 to \$151.00 per head. Just over a month ago, the LMIC projected that the



February number would come in at \$136.00 to \$140.00 per steer. If the cattle were not hedged, that turned out to be optimistic. Hedged animals will return excellent profits through June sale dates. Between the first full week of February and the last week of the month, Kansas fed steer prices fell by nearly \$6.00 per cwt., or for a 1350-pound steer by \$81.00 per animal. LMIC put the final February profit at about \$86.00 per steer.

For steers (750-pounds) placed on-feed in February, which will have a sale date of August, the breakeven price based on current feedstuff costs is \$109.00 to 111.00 per cwt. That's well above what the Live Cattle futures are offering. Red ink is likely for cattle sold this summer.

U.S. EXPORTS: WIDE - RANGE OF GAINS YEAR-OVER-YEAR

USDA recently released January data on U.S. export tonnage. On a carcass weight basis (as calculated by USDA's Economic Research Service), beef shipped to foreign countries was up slightly year-over-year (rising 7.3 million pounds or by 3.1%). Compared to a year ago, January's pork exports surged by 38.8% (up by over 185 million tons). Broiler shipments rose by 2.7%, while turkey slipped by 4.3%.

By country, of the major beef destinations, export tonnage for January increased to mainland China, Taiwan, Hong Kong, South Korea, and Vietnam. Tonnage to Canada was essentially unchanged year-over-year. Shipments to Mexico had a slight drop (-0.4%), and Japan declined by 2.6%.

As expected, pork shipments to mainland China were huge due to their battle with African Swine Fever – jumping by 174 million pounds (up 641%) compared to a year earlier. Exports to Hong Kong jumped-up by 36.5%. Tonnage to Canada and Mexico increased by 13.4% and 9.4%, respectively. Declines in pork exports occurred to Japan (-4.2%) and South Korea (-9.6%).

Gains in broiler exports were tied to North America. Both Canada and Mexico bought about 10% more than a year earlier. Angola had the most significant year-over-year drop.

AUSTRALIA AND NEW ZEALAND BEEF PRODUCTION AND EXPORTS

USDA Foreign Agricultural Service (FAS) staff stationed at U.S. embassies provide periodic evaluations for the livestock sectors of key countries. On March 4th, their semi-annual detailed analysis, called GAIN (Global Agricultural Information Network) reports, were released for Australia and New Zealand. Both countries are exporters of manufacturing beef to the U.S., and they also are competitors in Asian markets (Japan, South Korea, China, etc.). Australia is having the most dramatic adjustments in 2020; New Zealand is worth noting, too. FAS indicated that exports to China by both countries have recently been slowed by coronavirus in that country, mostly logistical issues.

In 2020, the sharp decline in Australia's beef output is being caused by the cumulative impacts of a multi-year drought. Record large numbers of cows were slaughtered in 2019. According to FAS, "Australia's cattle numbers have already reached the lowest level in three decades." Returning of rains in January and February of this year, if they persist as expected, should spark herd rebuilding to begin this year. FAS put the year-over-year drop in beef production at 14%.

Per FAS, "exports typically account for nearly two-thirds of Australia's beef production," and lower output translates into a "substantial tightening of exports." Total beef exports are forecast to decline by 20% from 2019's level. Early in the calendar year, exported tonnage is expected to remain near 2019's, and notable declines should begin in the next few months.

In the last two months, young cattle prices have increased dramatically in Australia. That reflects restocking and growing Asian export markets. An economic factor facilitating export levels has been the erosion in the value of the Australian dollar.

Turning to New Zealand, per FAS, compared to 2019's level, "beef production is forecast to fall by five percent in 2020." Dry weather, mostly in the North Island, caused producers to market cattle in late 2019 versus early 2020. FAS put beef production in 2020 down about 5% year-over-year, driven by a lower harvest and lighter carcass weights. In contrast to Australia, recent cattle prices in New Zealand were below a year ago. Currently, FAS forecasts only a slight (1%) slip in New Zealand's beef export tonnage in 2020 compared to 2019. In 2019, China became the biggest destination for its beef, surpassing the U.S.