

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

May 7, 2021

Production			Prices			
Week Ending 5/8/2021			Weekly Average (\$/Cwt)			
FI Cattle Slaughter (Thou Hd)	Last	Year Ago	Live Steer	Last	Week Ago	Year Ago
FI Hog Slaughter (Thou Hd)	638	476	Dressed Steer	118.35	118.89	104.50
FI Sheep Slaughter (Thou Hd)	2408	1804	Choice Beef Cutout	188.47	190.44	159.85
Live Y. Chicken Sl. (Mil Hd)	37	40	USDA Hide/Offal	303.51	291.79	441.53
Slaughter Cattle Live Weight	163.6	162.0	OK City Fdr. Str. (6-7 Cwt.)	11.99	11.55	6.87
Slaughter Hog Live Weight	1370	1369	Natl. Negotiated Purchase	144.37	146.27	138.06
Slaughter Lamb/Sheep Live Wt.	291	295	Natl. Net Hog Carcass	115.31	111.64	36.76
Beef Production (Mil Pounds)	128	134	Feeder Pigs (40 Lbs) (\$/Head)	104.53	104.20	70.74
Pork Production (Mil Pounds)	527.3	388.9	Pork Cutout	80.81	93.13	22.65
Lamb, Mutton Prod. (Mil Lbs.)	522.5	395.8	Lamb Cutout	112.48	109.24	113.94
Previous 6 Wk. Moving Avg.			Cheddar, 40 lb Block(\$/lb)	464.33	432.66	351.87
Total Beef (Mil Lbs)	2.4	2.7	Corn, Omaha (\$/Bu)	1.82	1.80	1.17
Total Pork (Mil Lbs)	528.9	411.9	Soybeans, Cntrl IL (\$/Bu)	7.45	6.68	2.97
Total Lamb, Mutton (Mil Lbs)	531.6	452.1		16.29	15.56	8.51
	2.6	2.3				

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

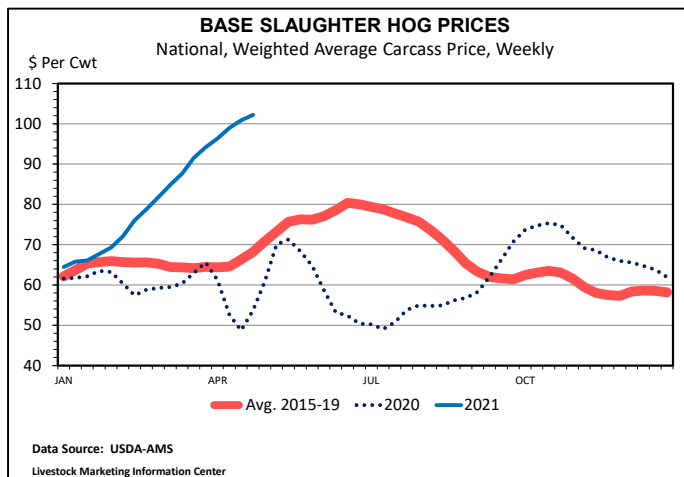
Trends. . . WILL HOG PRICES BEAT CATTLE PRICES IN JUNE?

Hog prices have been on a strong upward trend with each week steadily gaining since the start of the year. The national weighted average base slaughter hog carcass price started the year at \$61.85 per cwt but has increased to \$102.22 per cwt, a 65.3% or \$40.37 per cwt jump in just over four months. On average, hog prices have gained over \$2 per cwt (about 3.0%) each week since the start of the year. The higher hog prices are also being bolstered by a steady rise in the pork cutout value which has seen week-over-week gains since the start of the year, apart from declines the week of January 22 and last week. The jump in hog prices and the cutout value are reflective of tighter hog supplies which were indicated by the 2.5% decline in both the 120-179 lbs. and 180 lbs. and over market hog categories that were reported in the March 1 Hogs and Pigs report.

Cattle prices have made gains since the start of the year but not nearly to the extent that hogs have been able to make. The 5-market weighted average weekly steer price started the year at \$111.28 per cwt then peaked at \$122.03 per cwt in mid-April, a 9.7% or \$10.76 per cwt gain. Since the peak, cattle prices have eroded \$3.14 to \$118.89 per cwt last week. Weekly cattle slaughter has been averaging

near 650,000 head per week, except for the first week in January and the winter storm in February. This is near post-pandemic weekly slaughter highs which signals that COVID-related changes in processing facilities are limiting slaughter levels. The capacity-limited flow of cattle has limited upside potential for cattle prices but has led to a rise in the choice boxed beef cutout value since the start of the year which has increased 41.1% (\$85.06) to 291.79 per cwt.

As hog prices continue to rise and cattle prices remain subdued, this raises the question if hog prices will reach a higher level than cattle prices? The June lean hog futures contract



traded around \$114 last week while the June live cattle contract was near \$115 per cwt, a \$1 per cwt premium based on June futures contracts. Based on last week's 5-market steer price the premium over the base slaughter hog price was only commanding \$16.67 per cwt. The last time this difference was smaller than \$16.67 was August 2011 and the last time hogs had a higher price than cattle was nearly two decades ago. This is a comparison of the hog carcass price versus the live cattle price, but for discussion purposes, a shrinking value between the two prices highlights the significant rise in hog prices. It also highlights how limited the upside potential for cattle prices has been, especially given the substantial rise in boxed beef prices. One thing that can be said for both hogs and cattle is that the strong pork and beef cutout values are indicating robust demand in the near term.

BEEF & PORK EXPORTS SURGE IN MARCH

U.S. beef and pork exports posted in March are the largest single month on record. Beef exports topped 300 million pounds and pork exports were over 728 million pounds. Beef exports were up 12% over a year ago led by strong gains to Hong Kong, Mexico, South Korea and Vietnam. China posted the strongest growth, and a new record high export month. In the first quarter of 2021, China has purchased 84 million more pounds than last year. Pork exports increased to Japan, Mexico and Caribbean in March. China, however, pulled back from a year ago, down 10%. Total pork exports from the U.S. were up 4%.

Beef imports continued to trend lower than in 2020, down 9%. Argentina and Brazil were the exception, increasing beef imports to the U.S. by 26% and 137%, respectively. Pork imports increased from all destinations up 28%, and most suppliers had year over year gains, except Denmark and the Netherlands, down 1% and 12%, respectively. Large increases came from Mexico, sending 81% more pork to the U.S., followed by Canada, up 27%. Poland also had double digit growth compared to March 2020, up 18%.

Broiler and Turkey exports were both close to a year ago, down 3% and 2%. Noteworthy figures include China's purchases of broiler meat, up 30% from a year ago. However, March 2020 is the lowest volume in the last 12 months. Angola exports were up 83% in March and product shipped to the Caribbean increased 86%. Mexico also increased chicken meat purchases, up 6%. Exports of Turkey to key destinations were mostly down, except Mexico. Mexico bought 8% more than in March 2020. Imports of poultry were down—turkey about 28% and broiler meat about 7%. Other Chicken showed stronger imports from Canada up 69%, while exports were down about 10%. Mexico increased sales by 37% on a quantity basis.

Meat and poultry exports to Mexico are up across the board, pointing to recovery in one of the U.S.'s largest trading partners. China, too, continues to be an exciting talking point, but those comparisons have slipped in some export categories.

PASTURE & RANGE, DROUGHT UPDATE

Drought continues to intensify across the U.S. and is looking dismal in key areas. The Western half of the U.S. is in the worst stages of drought (65%-D0-D4, 47% D3-D4), a situation that has persisted since last year and escalating. Monday May 3rd marked the first release of the year by USDA NASS on pasture and range conditions. The U.S. is reported to have nearly 50% of pastures in poor and very poor conditions. Last year, only 16% of pastures were reporting at the two lowest quality rankings. Further, 31% of pastures are in fair condition and only 22% are in Excellent and Good categories. In 2020 almost 50% of pasture and range conditions were reported Good and Excellent. Timely rains remain critical to being able to stock cattle through the summer.

One of the newer developments in the Drought Monitor has been the spread of dryness across the Corn Belt. The Drought Monitor indicates that 44% of this region is in some level of drought. Dryness is less of a concern when planting, and typically means faster acres planted. Crop progress indicates 46% of corn is planted and 24% of soybeans as of this week, which is on par with last year. The problem is more in soil moisture and growing phases which can affect crop yields. Crop Progress also provides a Topsoil Moisture Condition rating. The U.S. has 37% of cropland in very short and short categories compared to 20% last year at this time. About 55% of cropland is reporting adequate moisture compared to 65% in 2020. These figures are worrisome but with most of the growing season ahead of us, it's early to be calling for yield declines just yet.