

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

March 19, 2021

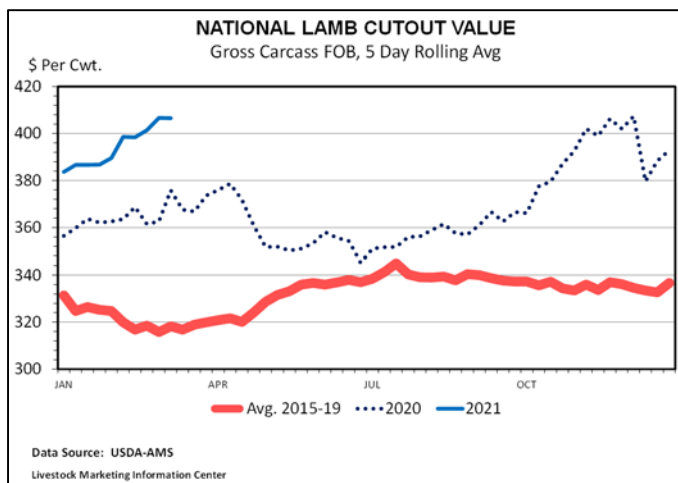
Production			Prices			
Week Ending 3/20/2021			Weekly Average (\$/Cwt)			
FI Cattle Slaughter (Thou Hd)	Last	Year Ago	Live Steer	Last	Week Ago	Year Ago
FI Hog Slaughter (Thou Hd)	624	660	Dressed Steer	114.25	113.62	109.89
FI Sheep Slaughter (Thou Hd)	2524	2799	Choice Beef Cutout	181.28	179.32	173.13
Live Y. Chicken Sl. (Mil Hd)	34	41	USDA Hide/Offal	227.75	227.99	243.03
Slaughter Cattle Live Weight	169.3	170.5	OK City Fdr. Str. (6-7 Cwt.)	10.16	9.90	8.33
Slaughter Hog Live Weight	1384	1372	Natl. Negotiated Purchase	146.69	150.81	125.34
Slaughter Lamb/Sheep Live Wt.	291	288	Natl. Net Hog Carcass	87.35	85.24	55.54
Beef Production (Mil Pounds)	137	132	Feeder Pigs (40 Lbs) (\$/Head)	89.18	86.96	64.90
Pork Production (Mil Pounds)	519.0	546.6	Pork Cutout	84.53	90.38	50.89
Lamb, Mutton Prod. (Mil Lbs.)	547.7	602.6	Lamb Cutout	102.79	97.49	76.33
Previous 6 Wk. Moving Avg.			Cheddar, 40 lb Block(\$/lb)	408.33	406.55	366.81
Total Beef (Mil Lbs)	2.3	2.7	Corn, Omaha (\$/Bu)	1.63	1.61	1.80
Total Pork (Mil Lbs)	522.1	528.9	Soybeans, Cntrl IL (\$/Bu)	5.31	5.24	3.26
Total Lamb, Mutton (Mil Lbs)	555.6	569.4		14.14	14.36	8.54
	2.5	2.5				

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

Trends. . . CURRENT SITUATION OF THE U.S. LAMB INDUSTRY

Easter is fast approaching and earlier than normal, occurring on April 4th, so examining the current situation of the industry is necessary especially leading up to a key demand season. The sheep and lamb industry has had its turmoil since the onset of the COVID-19 pandemic nearly a year ago. Since the closure of the Mountain States Rosen plant in July 2020, partially due to fallout from the pandemic, weekly sheep and lamb slaughter has generally trended lower than the prior year. On average, since August 2020, weekly slaughter has been about 5% lower each week from a year ago. That is equivalent to about 2,000 head per week. Since the start of 2021, weekly slaughter is averaging about 2% (around 1,000 head) below the same period last year. Combining lower slaughter levels with dressed weights that are about even with last year has led to lower available lamb supplies which has elevated prices.

As sheep and lamb slaughter levels started to trend lower, the lamb cutout value began to increase. In December 2020, the lamb cutout reached \$407.34 per cwt. which is record high



for the price series going back 25 years. Since the start of the year, the weekly lamb cutout value has been averaging around \$400 per cwt. This strength has carried into feeder and slaughter lamb prices. The three-market (CO, SD, and TX) feeder lamb price has been fluctuating in recent weeks but is generally around \$250 per cwt, a level that has not been seen in nearly three years. Slaughter lamb prices (Wooled, 110-130 lbs. Sioux Falls, SD) rallied during the fourth quarter of 2020, a counter seasonal move, and that momentum has continued into the

start of 2021. Average weekly slaughter lamb prices have been about \$170 per cwt since the start of the year, which is a strong start and levels that have not been seen in nearly four years.

Elevated lamb prices have created an economic incentive for producers to sell feeder lambs and market fed lambs. Colorado lambs on feed have been following a similar pattern to previous years indicating lambs are moving through the supply chain, but a slower slaughter pace has tightened supplies. Looming factors, such as the 0.6% decline in sheep and lamb inventory to 5.17 million head on January 1, lower weekly slaughter levels, rising feed costs, and persistent drought in the western U.S. all point toward lamb supplies likely remaining lower in the near term.

DAIRY MARGINS COMPRESS

January milk prices fell across the U.S., declining \$1 per cwt in the National All milk blend price. This marks the lowest price in seven months. May 2020 is the next lowest price of \$13.60 per cwt and was the low point of last year. January's price is the second month in a row of declining milk prices.

Falling milk prices are compounding dairy cash flow issues, as its timing coincides with rapidly rising feed costs. Alfalfa prices have been high for more than a year, but as we approach the start to a new marketing year, that tightness has been showing up in small increases in prices per ton, especially in the West. Corn feed costs reached over \$5 per bushel in the Northeast in January, rising for the seventh straight month. The Midwest saw corn prices jump over \$4 per bushel in January lagging other areas of the country. Western states pricing corn have been above \$4 per bushel for months. Illinois soybean meal has topped \$400 per ton several months ago and cottonseed too has risen to over \$200 per ton in January.

The latest Agricultural Prices (USDA NASS) released at the end of the month will update feed prices for February, but generally feed cost prices have not come down in the last month and in many cases, prices have actually moved higher. Class prices for milk indicate that with the exception of Class I (40 cents higher), all the other classes fell again in February. This winter is rivaling margins that happened during 2020 at the very beginning of the pandemic. In 2020 those margins compressed further, but government assistance helped bridge the gap for many. Early 2021 dairy cow slaughter numbers show slightly higher volumes, up about 21,735 head year to date. The monthly milk production report has yet to reflect any aggressive changes to inventory. February's cow numbers nationally climbing to 9.458 million head, higher than any level seen in 2014, when record high milk prices occurred. It is also the highest inventory number in the LMIC dataset back to 1998. Between 1986 and 1997 only select state inventories were reported. In 1985, the U.S. ended that year with 11.133 million dairy cows.

CONSUMER SENTIMENT

The consumer sentiment survey released by Michigan State University hit the highest level in 11 months. The press release cited relief measures and the U.S. vaccination program as the fundamental drivers increasing consumer sentiment. Consumers have low expectations for household income to improve, but were generally optimistic about the U.S. economy as a whole.

Dr. Curtin, Chief Economist of the Survey for Consumer Sentiment, noted that the largest gains in consumer sentiment were concentrated in lower income groups as well as those aged 55 and above. This could perhaps be because those groups have seen the largest direct payments compared to other groups. Characteristically, the age group of 18-34 generally is more optimistic than 35-54 year olds and 55 years and older. During much of 2020 these groups had similar sentiment index levels, but as recovery has started 18-34 year olds have broken away, and nearly 10 points higher. The other two age groups have been approximately even, but have yet to signal the recession is over.

Ahead of the pandemic consumer sentiment was registering in the 90s. The February estimate was 83, 6.2 points ahead of January, and 17 points below February 2020. Although this is a promising move, it's still well below pre-pandemic levels and mirrors other recession patterns. The older two age groups are unlikely to move significantly upward before the recession is truly over.