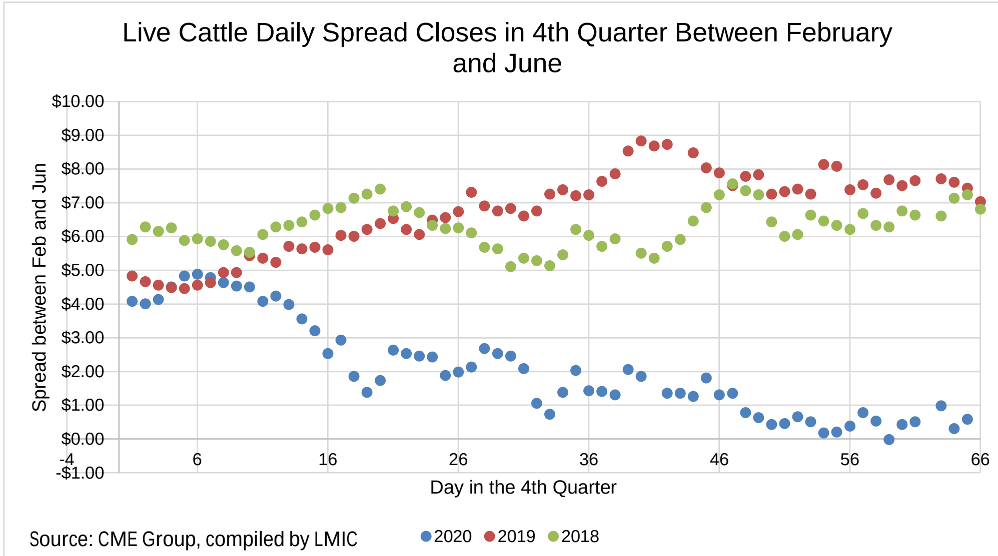
Daily Livestock Report

Sponsored in part by CME Group

Vol. 19, No. 2/ January 5, 2021



The closes on the Live Cattle contract between the February and June spread has been interesting to watch over the last several months and is one of the narrowest spreads seen in recent years. In the fourth quarter of the prior year, daily close spreads between February and June contracts have averaged $8.24 per cwt between 2014-2018. The earlier years in that range had some of the higher spreads, with the fourth quarter of 2014 showing the largest spreads, averaging $9.52 per cwt. The fourth quarters of 2017, 2018, and 2019 have been between $6-$7 per cwt. Years 2014-2016 all had 4th quarter spreads between February and June of over $8 per cwt.

In 2020, the average daily close between February and June has only been $2 per cwt. The lowest spread between these contracts since 2012. In the fourth quarter of 2012, this spread was actually negative, averaging –$0.01 per cwt. The spread did widen toward the end of 2012, but even December closes averaged only a $0.55 per cwt spread. By comparison, the spreads in 2020 have drifted lower since October and in the entire 4th quarter has only had one daily close where June has been higher than February.

Both contracts are well below 4th quarter of 2019 levels at this time. The February contract at the end of 2019 was about $126, and June was about $119 per cwt. The pandemic's effect on beef demand is still playing a significant role in live cattle prices. Even with the vaccine, beef demand from travel and hospitality is unlikely to reach 2018 levels in the first half of 2021. One piece of data that hints at those prospects is the weekly comprehensive boxed beef report by USDA AMS. This report breaks down delivery windows into 0-21 days, 22-60 days, 61-90 days and 91 days and up.

Sales in the last two months of 2020 indicated that across all delivery windows the number of loads was down compared to a year ago. From a buyers perspective there is likely some hesitation to book more forward looking deliveries. Deliveries in the next 61-90 days were down 31% from 2019, and deliveries for more than 91 days out were down about 13%. Loads booked for the shortest delivery window is only down 2% in the November/December time frame.

If we look more specifically at loads that were booked in December (61-90 and 91 days plus) that are likely using cattle fed against the February contract, there seems to be some strength in beef demand. Compared to December 2019 loads of beef scheduled to be delivered 61-90 days sale data are up 18%, and those sold to be delivered 91 or more days out are up 3%. Although far from definitive, both of these measures point towards optimism in beef demand.

The February contract, however, is being weighed down by the larger volume of placements that went into feedlots in the 3rd quarter of 2020 and the uncertainty in demand prospects in the first quarter. The higher volume of cattle and beef production during that timeframe is unlikely to be offset by higher beef demand early in 2021. Further recovery in beef demand is expected in the second half of 2021, which is helping support the June contract.

First trading day of 2021 opened with a sharp decline in Live Cattle contracts. February and April closed about $3.00 per cwt lower, and deferred contracts saw red as well. At close, on January 4th, June Live Cattle was priced higher than February by $0.25 per cwt.

Last week's prices and production summary table is included in this issue to accommodate later data release from the January 1st federal holiday.

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PRODUCTION & PRICE SUMMARY

Week Ending 1/2/2021

Source: Various USDA Agricultural Marketing Service (Market News) reports. DATA ARE PRELIMINARY .

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
			2-Jan-21	26-Dec-20		4-Jan-20			
	Beef, Pork, Chicken, & Turkey	Mil Lbs., cwe	1,548	1,637	-5.4%	1,628	-4.9%	46,259	-0.9%
C	FI Slaughter	Thou. Head	515	419	22.9%	550	-6.3%	67,000	-79.6%
A	FI Cow Slaughter **	Thou. Head	130	132	-1.8%	132	-1.4%	6,192	-1.5%
T	Avg. Dressed Weight	Lbs.	842	843	-0.1%	830	1.4%	1	1.4%
T	Beef Production	Million Lbs.	432.6	352.5	22.7%	455.4	-5.0%	56	-79.3%
L	Live Fed Steer Price, 5-Mkt	$ per cwt	109.19	109.19	0.0%	124.21	-12.1%		
E	Dressed Steer Price, 5-Mkt	$ per cwt	171.80	165.29	3.9%	198.60	-13.5%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	NQ	NQ	N/A	NQ	N/A		
&	Choice Beef Cutout	$ per cwt	209.65	209.71	0.0%	208.96	0.3%		
	Hide/Offal	$ per cwt, live wt	9.09	9.08	0.1%	8.82	3.1%		
B	Rib, Primal, Choice	$ per cwt	361.18	360.47	0.2%	334.19	8.1%		
E	Round, Primal, Choice	$ per cwt	185.11	183.52	0.9%	179.77	3.0%		
E	Chuck, Primal, Choice	$ per cwt	178.50	176.85	0.9%	171.68	4.0%		
F	Trimmings, 50%, Fresh	$ per cwt	34.68	32.40	7.0%	58.05	-40.3%		
	Trimmings, 90%, Fresh	$ per cwt	209.46	204.08	2.6%	240.74	-13.0%		
	FI Slaughter	Thou. Head	2,168	1,740	24.6%	2,292	-5.4%	330,000	-76.4%
H	FI Sow Slaughter **	Thou. Head	69.7	69.5	0.3%	65.7	6.1%	3,252	10.0%
O	Avg. Dressed Weight	Lbs.	219.0	219.0	0.0%	216.0	1.4%	0	1.5%
G	Pork Production	Million Lbs.	474.8	381.4	24.5%	494.7	-4.0%	72	-76.0%
S	Natl. Negotiated Purchase	Wtd. Avg.	49.93	50.77	-1.7%	50.32	-0.8%		
	Natl. Base Carcass Price	Wtd. Avg.	61.85	61.91	-0.1%	61.56	0.5%		
&	Natl. Net Carcass Price	Wtd. Avg.	63.22	63.70	-0.8%	63.08	0.2%		
	Natl. Early Wean Feeder	10-12 Lbs.	49.06	47.00	4.4%	55.60	-11.8%		
P	Pork Cutout	$ per cwt	73.86	69.95	5.6%	73.96	-0.1%		
O	By-product Value	$ per cwt, live wt	4.34	4.42	-1.8%	3.62	19.9%		
R	Ham, Primal	$ per cwt	61.22	57.09	7.2%	65.47	-6.5%		
K	Loin, Primal	$ per cwt	72.32	69.84	3.5%	70.81	2.1%		
	Belly, Primal	$ per cwt	102.63	89.66	14.5%	81.32	26.2%		
	Trimmings, 72%, Fresh	$ per cwt	61.17	61.17	0.0%	60.75	0.7%		
C	Young Chicken Slaughter *	Million Head	123.0	167.2	-26.5%	127.49	-3.5%	8,507	-0.9%
H	Avg. Weight (RTC)	Lbs.	4.70	4.82	-2.4%	4.76	-1.1%	4.80	1.4%
I	Young Chicken Production (RTC)	Million Lbs.	578.6	805.8	-28.2%	606.6	-4.6%	40,811	0.5%
C	Eggs Set (US)	Million	235.7	237.4	-0.7%	238.8	-1.3%	12,029	0.1%
K	Chicks Placed (US)	Million Head	183.0	190.7	-4.0%	189.1	-3.2%	9,602	-0.6%
E	National Composite Whole Bird	Composite	80.48	81.02	-0.7%	90.49	-11.1%		
N	Northeast Breast, B/S	$ per cwt	95.02	93.95	1.1%	97.35	-2.4%		
	Northeast Leg Quarters	$ per cwt	28.31	27.46	3.1%	37.64	-24.8%		
T	Total Turkey Slaughter *	Million Head	2.19	3.52	-37.8%	2.62	-16.5%	207.4	-2.4%
U	Avg. Weight (RTC)	Lbs.	28.47	27.63	3.1%	27.32	4.2%	25.66	-1.0%
R	Turkey Production (RTC)	Million Lbs.	62.3	97.2	-35.9%	71.6	-12.9%	5,320	-3.4%
K	National Hen (8-12 Lbs)	$ per cwt	105.00	106.05	-1.0%	95.19	10.3%		
G	Corn, Omaha	$ per Bushel	4.80	4.39	9.3%	3.87	24.0%		
R	Distillers Grain, IA	$ per Ton	210.00	NQ	N/A	NQ	N/A		
A	Soybean, Cntrl IL	$ per Bushel	13.25	12.69	4.5%	9.58	38.3%		
I	Soybn Meal 48%, Cntrl IL	$ per Ton	431.90	418.70	3.2%	304.60	41.8%		
N									

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago (part of 'actual" rather than "preliminary" weekly slaughter report).