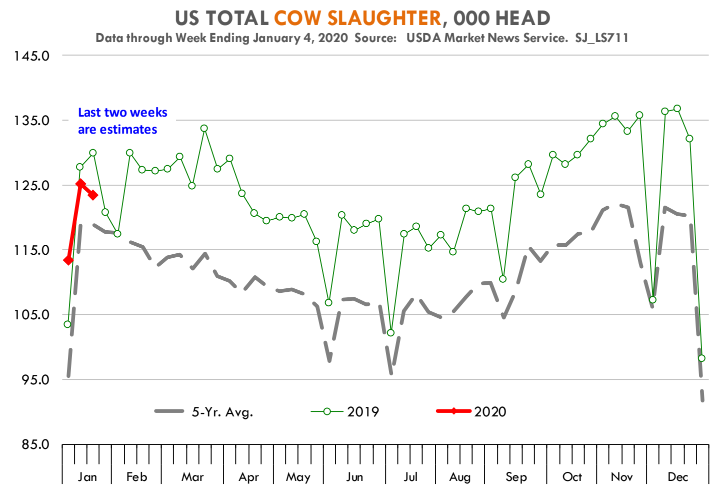
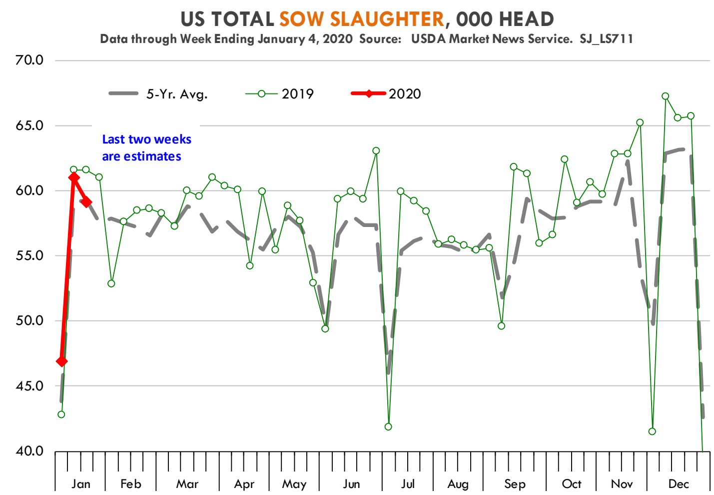
Daily Livestock Report

Vol. 18, No. 13 / January 20, 2020

There were significantly more beef and dairy cows that came to market last year than the five year average but the pace of growth will likely slow down this year. Strong profits in 2015 and 2016 allowed producers to expand and the beef cow herd on January 1, 2019 was 41.119 million head, 2.475 million head or 6.4% higher than what it was back in 2015. **Almost all the increase in the cow herd during the last five years has been as a result of more beef cows.** The January 1, 2019 beef cow inventory was 31.766 million head, 2.434 million head or 8.3% higher than in 2015 while the inventory of dairy cows at this time last year was only 42,000 head higher than it was back in 2015. The reason we mention this statistics is to give some context to the cow slaughter numbers we are seeing at this time and why there has been a double digit increase in the number of beef cows coming to market. A larger beef cow herd means there will be more cows that need to be culled relative to the herd size. Additionally, producer returns in 2018 and 2019 have not been that great, evinced in feeder cattle prices. As a result, producers have been culling a bit more aggressively plus they have been sending more heifers to the feedlot rather than retaining them for herd rebuilding or even herd maintenance.

USDA will publish the results of its semi-annual cattle inventory survey on January 31 and **there is broad expectation that the cow herd on January 1 of this year was lower than a year ago, probably somewhere between 0.5% and 1% lower**. A lower cow herd and a somewhat more positive profit outlook will tend to limit the culling rate this year. Plenty of unknowns remain, however. On the bearish side (i.e. calling for higher slaughter) we don't know how weather will play out this year and the impact it usually has on pastures and general feed availability. On the bullish side (i.e. lower slaughter) we do not know how US-China trade on beef will play out and how that impacts beef industry profitability. We think cow slaughter in the last two weeks was down an average of 3.5% compared to a year ago. Very strong grinding beef values in the last quarter of the year incentivized producers to send the animals they planned to cull earlier to market. Since October, US beef cow slaughter has averaged 66,646 head/wk, up an average of 8,579 head/wk or 15% above year ago levels. Dairy cow slaughter in the latest reported week was only 1.6% higher than a year ago. And since October dairy cow slaughter has averaged 60,653 head/wk, 1,055 head/wk or 1.7% lower than the previous year. Given this very aggressive culling rate, we would expect cow slaughter in Q1 of this year to run under last year's levels, limiting the supply of grinding beef available in the market.





Sow slaughter in 2019 averaged about 57,600 head/wk, 1.9% higher than the five year average. However, it is important to remember that the hog breeding herd has been steadily increasing in the last few years and the increase over the five year average simply reflects the availability of more culling animals. Indeed, despite a higher breeding herd in 2019 average weekly sow slaughter was slightly lower than in 2018. The ability to hedge hogs at a profit during much of last year and hopes of strong export demand/higher profits in 2020 precluded the kind of liquidation we saw in the beef complex. Expectations are for sow slaughter this year to be near year ago levels.

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PRODUCTION & WKLY AVG. PRICE SUMMARY Week Ending 1/18/2020

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. *Weekly Avg. Prices*

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
			18-Jan-20	11-Jan-20		19-Jan-19			
	Total Beef, Pork, Chicken, Turkey	**mil lbs., cwe**	**2,010**	**1,911**	5.22%	**1,934**	3.98%	**4,495**	-0.3%
	FI Slaughter	Thou. Head	631	640	-1.41%	626	0.77%	1,600	-6.7%
C	FI Cow Slaughter **	Thou. Head	113	98	15.41%	103	9.55%	113	9.5%
T	Avg. Dressed Weight	Lbs.	829	827	0.24%	818	1.34%	827	1.1%
T	Beef Production	Million Lbs.	521.8	528.1	-1.19%	511.1	2.09%	1,323	-5.7%
L	Live Fed Steer Price	$ per cwt	127.00	124.47	2.03%	123.98	2.44%		
E	Dressed Fed Steer Price	$ per cwt	199.07	199.74	-0.34%	196.99	1.06%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	152.11	150.25	1.24%	147.68	3.01%		
&	Choice Beef Cutout	$ per cwt	212.58	209.74	1.35%	212.36	0.10%		
	Hide/Offal	$ per cwt, live wt	9.19	8.90	3.26%	8.98	2.34%		
B	Rib Primal, Choice	$ per cwt	333.25	330.36	0.87%	344.79	-3.35%		
E	Round Primal, Choice	$ per cwt	181.03	179.78	0.70%	168.40	7.50%		
E	Chuck Primal, Choice	$ per cwt	175.02	173.59	0.82%	174.23	0.45%		
F	Trimmings, 50%	$ per cwt	71.50	66.75	7.12%	58.92	21.35%		
	Trimmings, 90%	$ per cwt	243.06	241.70	0.56%	201.72	20.49%		
	FI Slaughter	Thou. Head	2,574	2,695	-4.49%	2,488	3.46%	6,667	-3.4%
	FI Sow Slaughter **	Thou. Head	46.9	37.6	24.81%	42.8	9.63%	47	9.6%
H	Avg. Dressed Weight	Lbs.	215.0	214.0	0.47%	215.0	0.00%	215	-0.3%
O	Pork Production	Million Lbs.	552.4	577.4	-4.33%	534.5	3.35%	1,432	-3.6%
G	Iowa-S. Minn. Base	Wtd. Avg.	51.29	50.67	1.22%	51.64	-0.68%		
S	Natl. Base Carcass Price	Wtd. Avg.	62.00	61.73	0.44%	58.98	5.12%		
	Natl. Net Carcass Price	Wtd. Avg.	63.69	63.24	0.71%	60.74	4.86%		
	Natl. Early Wean Feeder	Wtd. Avg.	56.37	56.67	-0.53%	53.98	4.43%		
	Pork Cutout	205 Lbs.	74.82	73.26	2.13%	70.25	6.51%		
	Ham Primal	$ per cwt	70.11	67.04	4.58%	49.83	40.70%		
	Loin Primal	$ per cwt	68.37	69.29	-1.33%	64.68	5.71%		
	Belly Primal	$ per cwt	100.65	87.98	14.40%	134.47	-25.15%		
	Trimmings, 72%, Fresh	$ per cwt	72.20	67.16	7.50%	53.31	35.43%		
	Hog By-Product Value	$ per cwt, live wt	3.64	3.66	-0.55%	3.39	7.37%		
C	Young Chicken Slaughter *	Million Head	173.1	146.5	18.18%	165.9	4.38%	320	5.2%
H	Avg. Weight (RTC)	Lbs.	4.76	4.83	-1.57%	4.69	1.46%	6.31	1.5%
I	Young Chicken Production (RTC)	Million Lbs.	823.7	708.2	16.32%	777.8	5.90%	1,532	7.2%
C	Eggs Set (19-state)	Million	236.8	238.6	-0.73%	227.1	4.31%	475	4.3%
K	Chicks Placed (19-state)	Million Head	189.6	188.9	0.39%	181.4	4.56%	379	5.7%
E	National Composite Whole Bird	Composite	90.96	91.46	-0.55%	99.96	-9.00%		
	Northeast Breast, B/S	$/cwt	90.65	97.28	-6.82%	99.57	-8.96%		
	Northeast Leg Quarters	$/cwt	38.57	38.26	0.81%	29.08	32.63%		
T	Total Turkey Slaughter *	Million Head	4.144	3.46	19.77%	4.166	-0.53%	7.604	5.3%
U	Avg. Weight (RTC)	Lbs.	27.16	28.03	-3.11%	26.44	2.75%	34.30	2.5%
R	Turkey Production (RTC)	Million Lbs.	112.6	97.0	16.04%	110.1	2.21%	210	9.2%
K	National Hen (8-12 lb)	8-16 Lbs.	95.36	93.26	2.25%	81.00	17.73%		
G	Corn, Omaha	$ per Bushel	3.72	3.78	-1.59%	3.60	3.33%		
R	Soybeans, Cntrl IL	$ per Bushel	9.29	9.48	-2.00%	8.72	6.54%		
A	Soybn Meal 48%, Cntrl IL	$ per Bushel	301.10	301.30	-0.07%	313.70	-4.02%		
I	Distillers Grain, IL	$ per Bushel	162.50	158.00	2.85%	152.50	6.56%		

* Chicken & turkey slaughter. Production, egg sets are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.