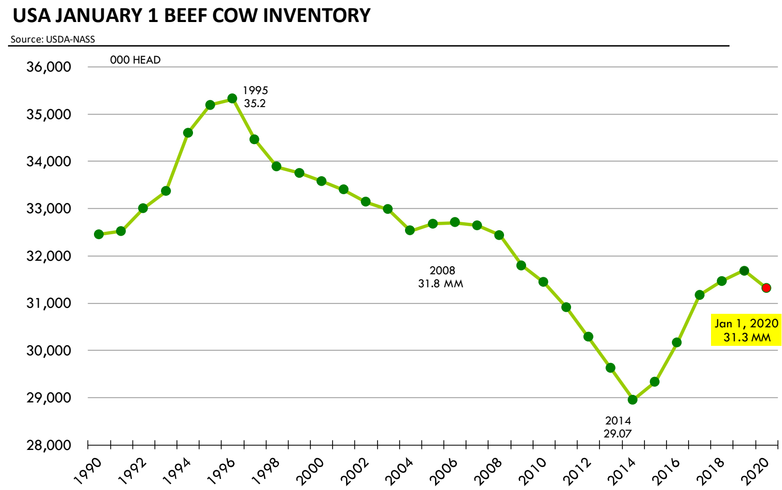
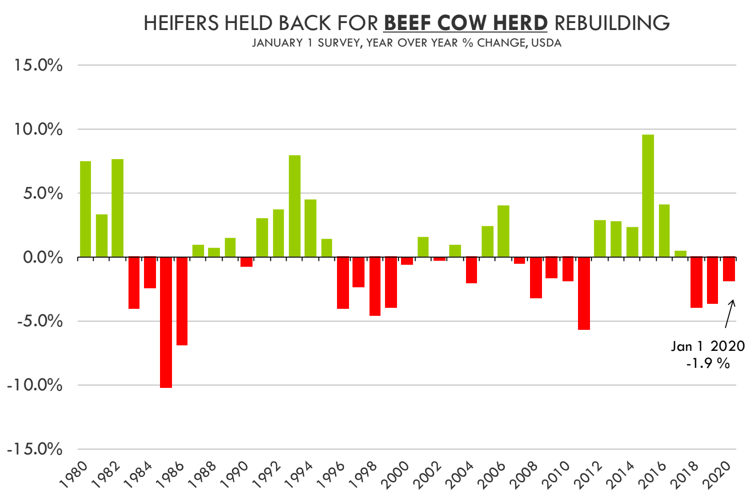
Daily Livestock Report

Vol. 18, No. 22 / February 3, 2020

According to the latest USDA semi-annual 'Cattle Inventory' report, **the total inventory of cattle and calves as of January 1, 2020 was estimated to be 94.413 million head, 0.4% lower than the previous year**. Prior to report estimates analysts were expecting the inventory to be down 0.5%. But even as the decline in the inventory was a bit smaller than previously expected, the report may be seen as suportive for cattle prices in late 2020 and in 2021. This is because **both the calf crop and the size of the beef cow herd came in below pre-report estimates**. The total inventory of beef and dairy cows was 40.651 million head, 393k head or 1% lower than the year before, about 0.2 points higher than pre-report estimates. The inventory of beef cows at 31.317 million head was 1.2% lower, **the first decline in the January beef cow herd since 2014**. Prior to the report analysts were also expecting the inventory of dairy cows to be down 1.2%, a number that was sure to be wrong since USDA estimates the dairy herd on a monthly basis. The dairy herd as of January 1 was only 0.2% lower than the previous year.

The decline in the beef and dairy cow herd in 2019 resulted in **a smaller than expected calf crop**. In July USDA estimated the calf crop for all of 2019 to be down 0.3% from the previous year. About two thirds of the calf crop is produced in the first half of the year so usually this estimate is fairly close to the January number. However, USDA data showed that while the calf crop in the first half was down 0.4%, **the calf crop in the second half of the year was down 1.6%**. **The calf crop for the entire 2019 was estimated at 36.060 million head, 253k head or 0.7% lower than a year ago**. Pre-report estimates were looking for a 0.4% decline. The smaller than expected beef cow herd and the smaller calf crop are the two main reasons why we see this report as supportive for cattle prices in the fall of 2020 and in 2021. There is little impetus for growth in the US cattle industry at this time. The produce survey indicated that cow-calf operators retained 5.772 million head of cattle for beef cow herd replacement in 2019, 1.9% less than a year ago. This was the lowest beef cow replacement number since 2014. Dairy cow replacement was down 1.4%. The survey also showed that the supply of other heifers, i.e. heifers destined for the feedlot, was only 0.8% higher than last year. Pre-report estimates were looking for a 2.3% increase. Feedlots have been placing heifers more aggressively on feed this year, which limited the supply of heifers available for placement on January 1. Also, beef producers retained a few more heifers for replacment than analysts were expecting. The supply of steers over 500 pounds was estimated to be down 0.5% compared to a 0.3% increase that analysts were expecting. On the other hand, the supply of calves under 500 pounds was 199k head or 1.4% higher than last year. This was probably one of the more puzzling numbers in the report although not entirely unprecedented. We have seen cases in the past where the calf crop has been down and yet the number of under 500lb calves on January 1 was higher y/y. This is the biggest discrepancy that we could find in the last 20 years, however. Even with the increase in this category, the total supply of cattle outside feedlots is calculated at 26.448 million head, 106k head or 0.4% lower than a year ago. The supply of cattle on feed as of January 1 was 14.668 million head, 2.1% higher than a year ago. This compares to the inventory in +1000 head capacity lots that were up 2.3% y/y.





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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending 2/1/2020

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
			1-Feb-20	**25-Jan-20**		**2-Feb-19**			
	Total Beef, Pork, Chicken, Turkey	**mil lbs., cwe**	**2,011**	**2,074**	-3.04%	**1,827**	10.08%	**8,577**	3.8%
	FI Slaughter	Thou. Head	637	647	-1.55%	593	7.37%	2,889	-1.0%
C	FI Cow Slaughter **	Thou. Head	134	139	-3.53%	130	2.94%	386	6.8%
T	Avg. Dressed Weight	Lbs.	828	828	0.00%	819	1.10%	826	1.0%
T	Beef Production	Million Lbs.	526.0	534.6	-1.61%	485.0	8.45%	2,385	0.0%
L	Live Fed Steer Price	$ per cwt	122.07	124.30	-1.79%	123.87	-1.45%		
E	Dressed Fed Steer Price	$ per cwt	194.47	198.83	-2.19%	198.34	-1.95%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	144.64	150.32	-3.78%	144.77	-0.08%		
&	Choice Beef Cutout	$ per cwt	213.26	214.78	-0.71%	216.65	-1.56%		
	Hide/Offal	$ per cwt, live wt	9.13	9.20	-0.76%	8.96	1.90%		
B	Rib Primal, Choice	$ per cwt	335.84	338.50	-0.79%	345.46	-2.78%		
E	Round Primal, Choice	$ per cwt	181.01	182.10	-0.60%	176.96	2.29%		
E	Chuck Primal, Choice	$ per cwt	172.39	174.12	-0.99%	177.50	-2.88%		
F	Trimmings, 50%	$ per cwt	66.76	72.83	-8.33%	57.97	15.16%		
	Trimmings, 90%	$ per cwt	244.09	244.08	0.00%	206.94	17.95%		
	FI Slaughter	Thou. Head	2,703	2,720	-0.63%	2,372	13.97%	12,012	2.2%
	FI Sow Slaughter **	Thou. Head	65.9	66.1	-0.15%	61.6	7.04%	179	7.8%
H	Avg. Dressed Weight	Lbs.	216.0	216.0	0.00%	214.0	0.93%	216	0.6%
O	Pork Production	Million Lbs.	584.8	586.7	-0.32%	508.2	15.07%	2,598	2.8%
G	Iowa-S. Minn. Base	Wtd. Avg.	54.51	52.00	4.83%	50.99	6.90%		
S	Natl. Base Carcass Price	Wtd. Avg.	63.78	63.48	0.47%	58.01	9.95%		
	Natl. Net Carcass Price	Wtd. Avg.	65.62	65.19	0.66%	59.65	10.01%		
	Natl. Early Wean Feeder	Wtd. Avg.	50.28	54.65	-8.00%	52.07	-3.44%		
	Pork Cutout	205 Lbs.	73.00	78.05	-6.47%	67.84	7.61%		
	Ham Primal	$ per cwt	64.25	74.26	-13.48%	48.56	32.31%		
	Loin Primal	$ per cwt	69.06	68.87	0.28%	67.48	2.34%		
	Belly Primal	$ per cwt	102.64	111.44	-7.90%	115.01	-10.76%		
	Trimmings, 72%, Fresh	$ per cwt	64.25	75.50	-14.90%	58.00	10.78%		
	Hog By-Product Value	$ per cwt, live wt	3.60	3.62	-0.55%	3.37	6.82%		
C	Young Chicken Slaughter *	Million Head	166.1	174.5	-4.85%	158.1	5.05%	660	4.9%
H	Avg. Weight (RTC)	Lbs.	4.77	4.81	-0.95%	4.66	2.28%	6.31	2.0%
I	Young Chicken Production (RTC)	Million Lbs.	791.4	839.7	-5.75%	736.5	7.45%	3,163	7.3%
C	Eggs Set (19-state)	Million	237.5	239.4	-0.79%	228.3	4.03%	953	4.4%
K	Chicks Placed (19-state)	Million Head	191.2	190.9	0.15%	184.2	3.79%	761	4.8%
E	National Composite Whole Bird	Composite	88.75	90.90	-2.37%	92.04	-3.57%		
	Northeast Breast, B/S	$/cwt	90.28	87.83	2.79%	104.46	-13.57%		
	Northeast Leg Quarters	$/cwt	38.48	37.55	2.48%	30.56	25.92%		
T	Total Turkey Slaughter *	Million Head	3.942	4.181	-5.72%	3.562	10.67%	15.727	4.6%
U	Avg. Weight (RTC)	Lbs.	27.59	27.00	2.17%	27.24	1.29%	34.11	1.9%
R	Turkey Production (RTC)	Million Lbs.	108.8	112.9	-3.67%	97.0	12.10%	431	7.1%
K	National Hen (8-12 lb)	8-16 Lbs.	96.50	97.33	-0.85%	82.50	16.97%		
G	Corn, Omaha	$ per Bushel	3.79	3.90	-2.82%	3.64	4.12%		
R	Soybeans, Cntrl IL	$ per Bushel	8.82	9.15	-3.61%	8.86	-0.45%		
A	Soybn Meal 48%, Cntrl IL	$ per Bushel	292.50	299.90	-2.47%	309.00	-5.34%		
I	Distillers Grain, IL	$ per Bushel	160.00	162.50	-1.54%	154.00	3.90%		

* 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.