Iowa State University releases monthly estimates of returns to farrow and finish hogs. In 2019, the average total profit (loss) was a positive $12.40 per head, nearly double 2018 ($6.48). Total feed costs were $76.17 per head and as expected corn ($33.86 per head) and soybeans ($13.81 per head) combined to account for 63% of the cost. Total costs (variable and fixed) average $125.33 per head, 1.2% higher than 2018. The average selling price for the year was $69.27 per cwt (carcass weight) which gives a breakeven selling price of $61.99 per head. January 2020 estimated returns are available which show that costs have remained at similar levels to 2019, but the selling price has dropped to $62.81 per cwt with profits dropping into the red at $0.46 loss for the month. Although, the estimates are not representative of every producer they do provide a gauge for profitability in the hog sector. Prices have recently come under pressure amidst rising slaughter numbers and waning foreign demand due to coronavirus issues in Asia which pose a threat to profitability in the near term.

LMIC estimates average returns to cattle feeders for a typical operation in the Southern Plains feeding 750-pound steers. In 2019, estimated returns were $9.51 per steer, dropping 55.4% from 2018’s estimate which was $21.31. Total feed costs averaged $286.19 per steer with corn accounting for the bulk of the cost. From January through May 2019, average returns were $53.98 per steer, but the next five months (June-October) dropped into the red at an average loss of $78.72. In November and December, returns were in the black averaging $56.88 and $180.92, respectively. January 2020 is starting off positive at an average of $149.55. LMIC is forecasting cattle supplies will start to tighten in 2020 which could possibly create feeder cattle prices potentially pressuring feeding returns, compared to current levels, assuming feed costs (e.g. corn price) remains similar to 2019 levels.

As discussed in yesterday’s DLR, demand for both beef and pork were strong in 2019, if that momentum continues into 2020 it could provide support for both beef and pork prices and producer profitability. The price of corn will be a factor for both cattle and hog returns. Currently, abundant corn supplies are keeping prices at favorable levels for livestock producers. The 2020 growing season will start soon and give a better idea as to planted acres and potential prices for the remainder of the year.

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