Daily Livestock Report

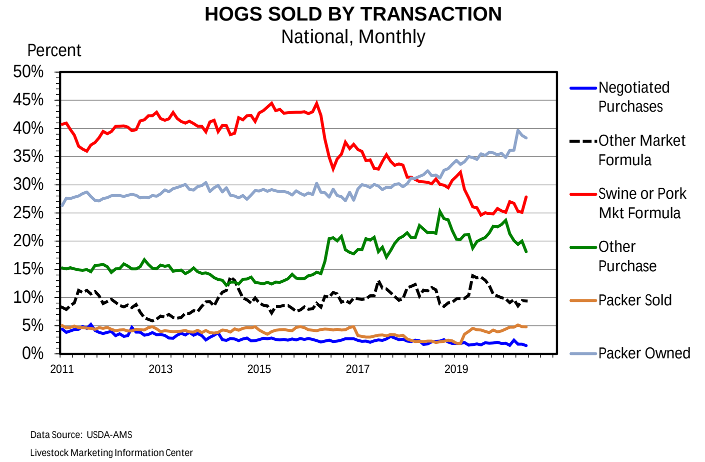
Vol. 18, No. 134/ July 13, 2020

Iowa-Minnesota cash carcass weight base prices have been hovering around $30, over a $20 per cwt discount to the August futures contract and about $15 per cwt below July. The Lean Hog contract for the contracts expiring July through October are below $50 per cwt, but are much more optimistic than the cash prices that have been received this summer.

Hogs sold on the negotiated market are trying to find shackle space in an already crowded market against contracted pigs. Looking across the other purchase types for Iowa-Minnesota, producer sold transaction types using Other Market Formula and Swine/Pork Market Formula received the second lowest prices for the week compared to negotiated market hogs. Those prices last week will average just under $45 per cwt. Other Purchase Arrangements have been notably higher this year and last week brought about $54 per cwt.

Among producer sold purchase types the majority are Swine or Pork Market Formula and the second is Other purchase Arrangements. All purchase type definitions are available through USDA AMS Livestock Mandatory Price reporting website or here. The two largest producer sold purchase type definitions are as follows:

Swine or pork market formula purchase. The term "swine or pork market formula purchase" means a purchase of swine by a packer in which the pricing mechanism is a formula price based on a market for swine, pork, or a pork product, other than a future or option for swine, pork, or a pork product.

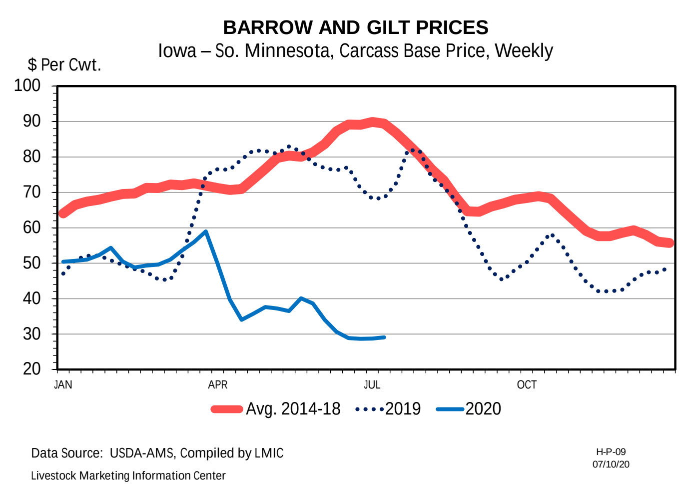


Other purchase arrangement. The term "other purchase arrangement" means a purchase of swine by a packer that is not a negotiated purchase, swine or pork market formula purchase, negotiated formula purchase, or other market formula purchase; and does not involve packer-owned swine.

A question that has been asked several times throughout this pandemic is how will this fundamentally change the supply chain and the way we do business. The swine industry already did not large volumes of negotiated trade, and was seeing less and less over the time. In 2018 cash trade averaged just over 2% on a monthly basis, and in 2019, that figure dropped to 1.83%. The first six months of 2020 has averaged 1.79%. It seems likely that trend will continue, especially considering the wide spread between the negotiated spot market and other producer sold purchase types.

Similarly, the rise in Other Purchase arrangements has dropped off in the last couple of months while Swine or Pork Market Formula has increased slightly in the last two months.

As contracts are re-examined, it is suspected that both buyers and sellers will be looking for more protection moving forward, whether its diversity of purchase types, different contract lengths or more contract flexibility. Independent hog producers selling on the negotiated cash market likely took the hardest hit during this particular black swan event, and that may push further structural change.



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PRODUCTION & PRICE SUMMARY

Week Ending 7/11/2020

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
			11-Jul-20	4-Jul-20		13-Jul-19			
	Beef, Pork, Chicken, & Turkey	Mil Lbs., cwe	1,885	1,837	2.6%	1,833	2.9%	51,944	0.4%
C	FI Slaughter	Thou. Head	664	593	12.0%	658	0.8%	16,516	-5.6%
A	FI Cow Slaughter **	Thou. Head	121	122	-0.6%	120	0.9%	3,178	0.0%
T	Avg. Dressed Weight	Lbs.	831	829	0.2%	803	3.5%	825	2.8%
T	Beef Production	Million Lbs.	550.3	490.7	12.1%	528.0	4.2%	13,627	-3.0%
L	Live Fed Steer Price, 5-Mkt	$ per cwt	95.97	94.87	1.2%	113.37	-15.3%		
E	Dressed Steer Price, 5-Mkt	$ per cwt	157.67	153.84	2.5%	182.87	-13.8%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	144.89	141.26	2.6%	148.74	-2.6%		
&	Choice Beef Cutout	$ per cwt	204.54	206.54	-1.0%	214.64	-4.7%		
	Hide/Offal	$ per cwt, live wt	6.84	6.94	-1.4%	8.53	-19.8%		
B	Rib, Primal, Choice	$ per cwt	327.72	336.87	-2.7%	349.43	-6.2%		
E	Round, Primal, Choice	$ per cwt	168.92	169.01	-0.1%	166.73	1.3%		
E	Chuck, Primal, Choice	$ per cwt	168.91	168.65	0.2%	174.79	-3.4%		
F	Trimmings, 50%, Fresh	$ per cwt	50.07	54.52	-8.2%	87.87	-43.0%		
	Trimmings, 90%, Fresh	$ per cwt	247.76	248.05	-0.1%	224.01	10.6%		
	FI Slaughter	Thou. Head	2,606	2,043	27.6%	2,419	7.7%	66,934	0.0%
H	FI Sow Slaughter **	Thou. Head	67.8	64.3	5.5%	63.0	7.6%	1,672	11.4%
O	Avg. Dressed Weight	Lbs.	214.0	216.0	-0.9%	211.0	1.4%	216	0.9%
G	Pork Production	Million Lbs.	558.7	441.3	26.6%	509.1	9.7%	14,451	0.8%
S	Natl. Negotiated Purchase	Wtd. Avg.	29.40	28.62	2.7%	67.22	-56.3%		
	Natl. Base Carcass Price	Wtd. Avg.	49.39	50.21	-1.6%	70.88	-30.3%		
&	Natl. Net Carcass Price	Wtd. Avg.	51.39	52.00	-1.2%	73.19	-29.8%		
	Natl. Early Wean Feeder	10-12 Lbs.	16.20	14.66	10.5%	36.97	-56.2%		
P	Pork Cutout	$ per cwt	66.03	64.60	2.2%	72.21	-8.6%		
O	By-product Value	$ per cwt, live wt	3.60	3.62	-0.6%	3.60	0.0%		
R	Ham, Primal	$ per cwt	51.00	44.89	13.6%	61.35	-16.9%		
K	Loin, Primal	$ per cwt	66.33	66.55	-0.3%	74.47	-10.9%		
	Belly, Primal	$ per cwt	97.94	91.25	7.3%	99.96	-2.0%		
	Trimmings, 72%, Fresh	$ per cwt	74.36	60.22	23.5%	68.60	8.4%		
C	Young Chicken Slaughter *	Million Head	147.8	164.8	-10.3%	152.43	-3.0%	4,415	0.7%
H	Avg. Weight (RTC)	Lbs.	4.67	4.83	-3.3%	4.71	-0.8%	4.78	2.1%
I	Young Chicken Production (RTC)	Million Lbs.	690.9	796.4	-13.2%	718.2	-3.8%	21,099	2.9%
C	Eggs Set (US)	Million	230.8	232.3	-0.6%	232.9	-0.9%	6,315	0.9%
K	Chicks Placed (US)	Million Head	191.0	190.5	0.3%	187.6	1.8%	5,018	-0.3%
E	National Composite Whole Bird	Composite	75.34	74.97	0.5%	92.81	-18.8%		
N	Northeast Breast, B/S	$ per cwt	115.70	119.53	-3.2%	114.24	1.3%		
	Northeast Leg Quarters	$ per cwt	27.32	28.99	-5.8%	44.71	-38.9%		
T	Total Turkey Slaughter *	Million Head	3.30	4.17	-20.9%	2.94	12.1%	105.6	-1.0%
U	Avg. Weight (RTC)	Lbs.	25.91	26.07	-0.6%	26.44	-2.0%	26.20	-1.3%
R	Turkey Production (RTC)	Million Lbs.	85.5	108.7	-21.4%	77.8	9.9%	2,768	-2.2%
K	National Hen (8-12 Lbs)	$ per cwt	109.70	108.00	1.6%	87.60	25.2%		
G	Corn, Omaha	$ per Bushel	3.31	3.27	1.4%	4.52	-26.7%		
R	Distillers Grain, IA	$ per Ton	122.50	121.00	1.2%	136.50	-10.3%		
A	Soybean, Cntrl IL	$ per Bushel	9.00	8.96	0.4%	9.09	-1.0%		
I	Soybn Meal 48%, Cntrl IL	$ per Ton	297.80	296.70	0.4%	315.40	-5.6%		
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).