Daily Livestock Report

Sponsored in part by CME Group

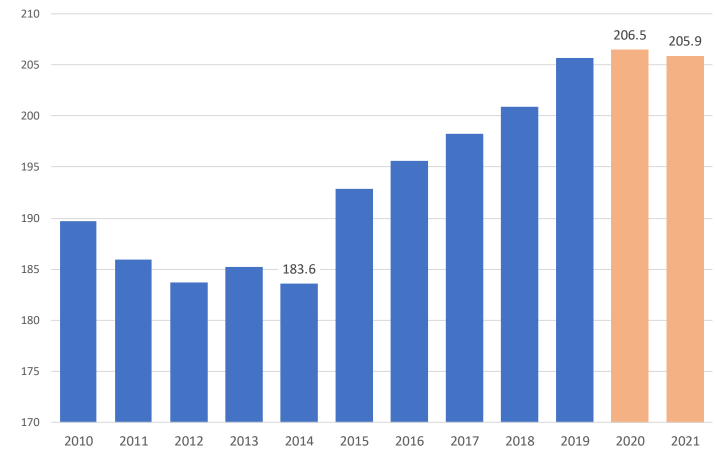
Vol. 18, No. 198 / October 12, 2020

The USDA WASDE report issue on Friday offered an updated view of the supply/demand estimates for the rest of 2020 as well as the outlook for 2021. **One key takeaway from the report is that USDA believes domestic supply availability in the US likely peaked in 2020 and is expected to be lower next year**. This may come as a surprise to those that looked at the shortfall in supplies during the spring months. However, cuts to the supply base that were made in previous years and continued this year, continued strong export demand and natural population growth, should combine to limit overall meat protein supplies next year. With that said, the domestic supply of the three main proteins (beef, pork, broilers) in 2021 is still forecast at 205.9 pounds per person. This is slightly higher than in 2019 (205.7) and some **22.3 pounds per person or 12% higher than in 2014**. We compare to 2014 because that was the bottom of the previous supply cycle. Since then, US meat production has been on a strong uptrend, supported by strong US economic growth, expanding export demand and generally stable feed costs. As for price effect comparisons, we think it may be a better idea to compare to 2019. COVID disruptions cause significant volatility this year that severely skew comparisons.

The second chart looks at supply trends for the three main species individually. As an aside, we tend to look at the per capita consumption number as largely a supply indicator. The number simply tells us the amount of a specific protein that somehow "disappeared" in a given year. While much of it likely was consumed, there is also a significant waste factor. When talking about demand, the consumption number would then need to be viewed in the context of prices paid. While protein supply availability has increased for all three proteins since 2013, the gains have been much more significant for broilers and pork than for beef. This helps bring some context to the level of price inflation we have seen for the three species. **USDA is currently forecasting per capita beef consumption at 57.7 pounds per person, down 1.9% compared to 2020 but 6.4% higher than in 2014**. **Per capita pork consumption in 2021 is currently forecast 0.6% higher than a year ago and 12.5% higher than in 2014. In the case of broiler meat, per capita supply next year is expected to be 0.3% lower but 12.2% higher than in 2014**. The supply projections for 2021 offer a sense of expected price inflation for next year, possibly suggesting that beef price inflation may outpace other proteins. It is interesting to note that USDA is currently forecasting steer prices for next year to be down 2% compared to where they were in 2019 even as per capita beef consumption next year is forecast to be slightly lower. Is this largely a reflection of the state of the US economy next year compared to where it was in 2019, when unemployment was at sub 4% and foodservice was booming? USDA does expect beef exports to continue to grow next year but at 11.2% share exports next year will still be lower than in 2018. Could US beef export share grow at a faster pace due to more limited supplies in Australia (our main competitor and ever expanding China business)? These are two key issues we will need to observe going forward. In the case of pork, **USDA currently estimates per capita pork consumption to increase modestly next year**. Pork export share of production is expected to decline modestly. More importantly, USDA made some significant downward revisions to pork exports for both 2020 and 2021. Will China pork orders continue to increase next year? That remains the main driving factor for the US pork market in both the short and medium term. Broiler production in 2021 is forecast at 44.578 billion pounds (net ready to cook basis). This is 453 million pounds or 1% higher than a year ago and 1.143 billion pounds or 2.6% higher than in 2019. Population growth, higher trade surplus and ending stock adjustments explain the slight decline in domestic per capita supply.

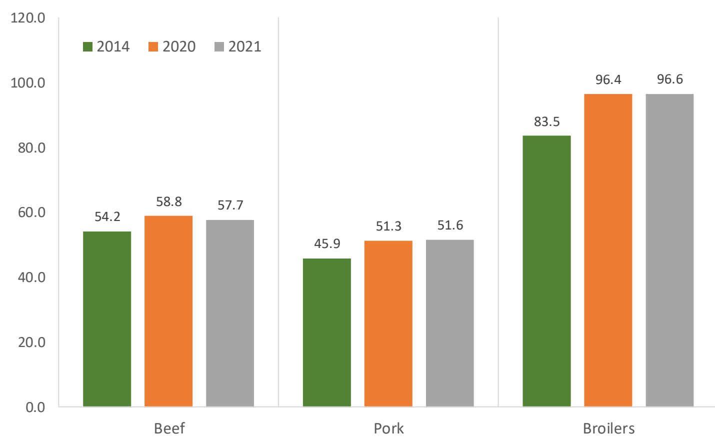
Annual Per Capita Consumption of the Three Main Species

Retail Wt. Basis. Lb./pp. Source: USDA. Analysis by Steiner Consulting



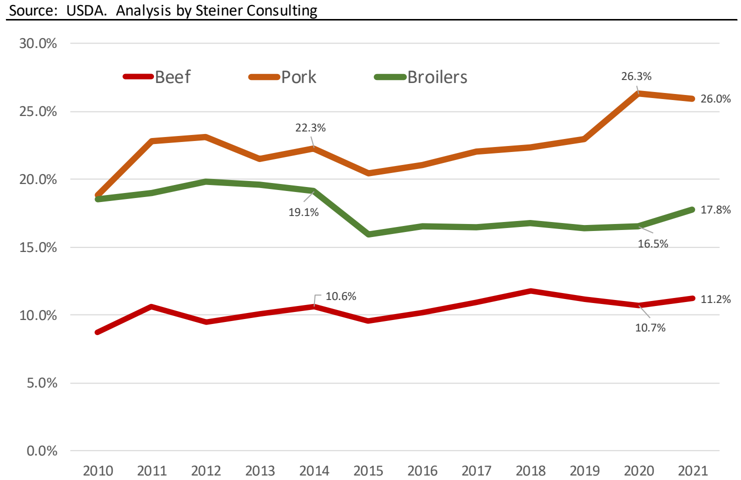
Per Capita Consumption of the Three Main Species since 2014

Retail Wt. Basis. Lb./pp. Source: USDA. Analysis by Steiner Consulting



Export Share of US Production of the Three Main Species

Source: USDA. Analysis by Steiner Consulting



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PRODUCTION & WKLY AVG. PRICE SUMMARY   Week Ending 10/10/2020

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
			10-Oct-20	3-Oct-20		12-Oct-19			
	Total Beef, Pork, Chicken, Turkey	**mil lbs., cwe**	**2,049**	**2,042**	0.37%	**2,051**	-0.11%	**77,694**	0.5%
	FI Slaughter	Thou. Head	637	665	-4.21%	648	-1.74%	24,814	-4.1%
C	FI Cow Slaughter **	Thou. Head	123	124	-0.64%	123	-0.54%	4,656	-1.3%
T	Avg. Dressed Weight	Lbs.	843	841	0.24%	824	2.31%	829	2.8%
T	Beef Production	Million Lbs.	535.3	558.1	-4.09%	533.1	0.41%	20,573	-1.4%
L	Live Fed Steer Price	$ per cwt	107.59	107.12	0.44%	109.21	-1.48%		
E	Dressed Fed Steer Price	$ per cwt	169.29	167.70	0.95%	171.77	-1.44%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	146.17	145.20	0.67%	150.49	-2.87%		
&	Choice Beef Cutout	$ per cwt	216.03	218.10	-0.95%	214.12	0.89%		
	Hide/Offal	$ per cwt, live wt	8.37	8.17	2.45%	8.91	-6.06%		
B	Rib Primal, Choice	$ per cwt	383.94	380.31	0.95%	382.31	0.43%		
E	Round Primal, Choice	$ per cwt	168.92	171.05	-1.25%	176.05	-4.05%		
E	Chuck Primal, Choice	$ per cwt	175.84	178.08	-1.26%	168.95	4.08%		
F	Trimmings, 50%	$ per cwt	50.09	50.52	-0.85%	43.14	16.11%		
	Trimmings, 90%	$ per cwt	199.84	209.56	-4.64%	218.61	-8.59%		
	FI Slaughter	Thou. Head	2,730	2,603	4.88%	2,697	1.21%	100,276	1.1%
	FI Sow Slaughter **	Thou. Head	65.3	66.1	-1.31%	56.0	16.63%	2,489	11.7%
H	Avg. Dressed Weight	Lbs.	212.0	211.0	0.47%	212.0	0.00%	214	0.8%
O	Pork Production	Million Lbs.	579.1	549.2	5.44%	571	1.42%	21,477	1.8%
G	Iowa-S. Minn. Base	Wtd. Avg.	64.42	64.18	0.37%	53.43	20.57%		
S	Natl. Base Carcass Price	Wtd. Avg.	74.49	73.67	1.11%	62.33	19.51%		
	Natl. Net Carcass Price	Wtd. Avg.	76.38	75.52	1.14%	64.37	18.66%		
	Natl. Early Wean Feeder	Wtd. Avg.	36.09	34.96	3.23%	35.78	0.87%		
	Pork Cutout	205 Lbs.	94.58	92.86	1.85%	77.13	22.62%		
	Ham Primal	$ per cwt	75.15	86.14	-12.76%	58.78	27.85%		
	Loin Primal	$ per cwt	86.92	81.52	6.62%	69.81	24.51%		
	Belly Primal	$ per cwt	159.12	149.74	6.26%	140.41	13.33%		
	Trimmings, 72%, Fresh	$ per cwt	86.81	84.07	3.26%	49.80	74.32%		
	Hog By-Product Value	$ per cwt, live wt	4.07	4.08	-0.25%	3.53	15.30%		
C	Young Chicken Slaughter *	Million Head	169.7	170.6	-0.50%	175.4	-3.26%	6,580	-0.5%
H	Avg. Weight (RTC)	Lbs.	4.89	4.89	0.00%	4.78	2.38%	6.30	1.7%
I	Young Chicken Production (RTC)	Million Lbs.	830.6	834.8	-0.50%	838.6	-0.95%	31,513	1.3%
C	Eggs Set (19-state)	Million	227.2	221.3	2.67%	226.3	0.39%	9,298	0.6%
K	Chicks Placed (19-state)	Million Head	181.5	186.3	-2.59%	182.8	-0.75%	7,439	-0.2%
E	National Composite Whole Bird	Composite	65.06	63.24	2.88%	78.71	-17.34%		
	Northeast Breast, B/S	$/cwt	92.58	98.64	-6.14%	87.23	6.13%		
	Northeast Leg Quarters	$/cwt	24.6	24.57	0.12%	35.62	-30.94%		
T	Total Turkey Slaughter *	Million Head	4.111	4.019	2.29%	4.327	-4.99%	159.619	-1.3%
U	Avg. Weight (RTC)	Lbs.	25.35	24.79	2.24%	25.13	0.86%	32.17	-1.2%
R	Turkey Production (RTC)	Million Lbs.	104.2	99.6	4.58%	108.8	-4.18%	4,131	-2.2%
K	National Hen (8-12 lb)	8-16 Lbs.	113.00	119.00	-5.04%	100.00	13.00%		
G	Corn, Omaha	$ per Bushel	3.63	3.68	-1.36%	3.68	-1.36%		
R	Soybeans, Cntrl IL	$ per Bushel	10.47	10.19	2.75%	9.01	16.20%		
A	Soybn Meal 48%, Cntrl IL	$ per Bushel	358.60	346.90	3.37%	313.80	14.28%		
I	Distillers Grain, IL	$ per Bushel	160.00	160.00	0.00%	138.50	15.52%		

* 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.