

Both cash and futures hog prices have softened recently while both corn and soybeans have gained traction. Corn and soybeans make up a large portion of total feed costs and a majority of total costs. Rising feed costs reduce profitability holding all else constant.

At the end of July, the December 2020 hog futures contract bottomed at \$49.78 per cwt. Since that time, the contract steadily rose peaking at \$71.43 per cwt on October 19th, a 43% increase in just over two months. From the peak last month, the contract has softened with recent trading in the range of about \$64-\$68 per cwt. Deferred contracts into 2021 have followed a similar pattern with a rise over the past couple months but recent trading has seen a cooling in prices.

The National Weighted Average Base Carcass price was \$69.23 per cwt last week, which is 11.5% above the same week last year, but the lowest price since the week of September 19th, nearly two months ago. Although prices have softened in recent weeks, the counter-seasonal upward trend during the fourth quarter typically does not occur. The recent strength in both cash and futures prices has been supportive of producer returns. Iowa State University has estimated returns for a farrow-to-finish hog operation at \$15.88 per head in September (the most recent month available).

Based on average estimated returns from Iowa State University, the average breakeven carcass price for the first nine months of

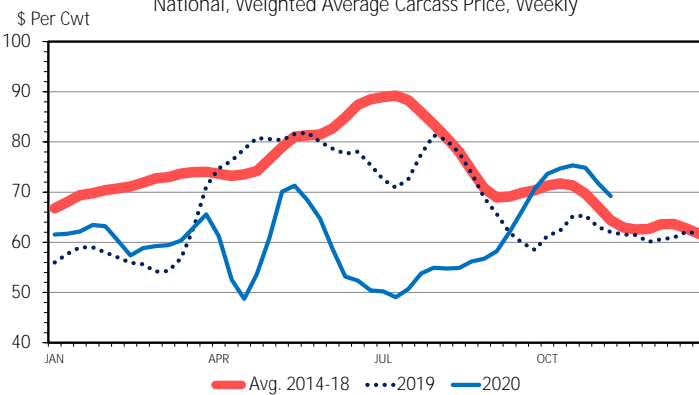


this year has been about \$63 per cwt. The calculated breakeven carcass price for September was \$61.51 per cwt which is below the average selling price of \$63 per cwt. Although hog cash prices are above a year ago, the recent cooling over the last month is concerning given rising feed costs of corn and soybean prices are gaining momentum. This year, feed costs have ranged from \$72-\$77 per head with corn (average of \$31.55 per head per month) and soybeans (average of \$13.70 per head per month) accounting for a combined 60.7% of total feed costs. Recently, most contracts for both corn and soybeans have been trading at or around \$4.00 and \$11.00 per bushel, respectively. This is a large increase considering corn and soybeans were trading just above \$3.00 and \$9.00 per bushel just a few months ago.

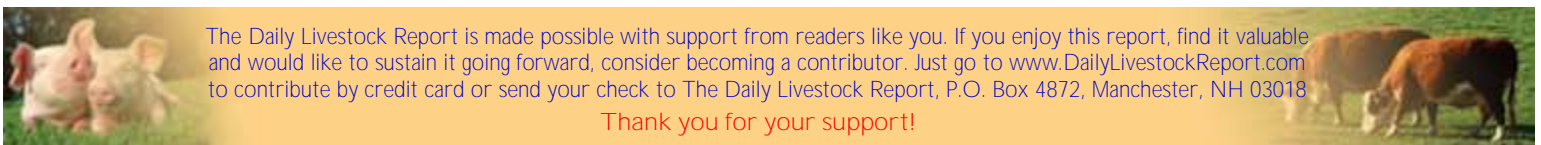
Rising feed costs, specifically corn and soybeans, will be items that producers will be watching closely. Hog futures contracts during the summer months of 2021 have been trading in the \$70 to as much as \$80 per cwt range which still points toward profitability in the hog industry in 2021 if feed costs can be effectively managed.

BASE SLAUGHTER HOG PRICES

National, Weighted Average Carcass Price, Weekly



Data Source: USDA-AMS
 Livestock Marketing Information Center



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PRODUCTION & PRICE SUMMARY

Week Ending 11/7/2020

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
		7-Nov-20	31-Oct-20		9-Nov-19			
Beef, Pork, Chicken, & Turkey	Mil Lbs., cwe	2,045	2,042	0.1%	2,080	-1.7%	85,920	0.4%
C Fl Slaughter	Thou. Head	647	638	1.4%	657	-1.5%	27,401	-3.7%
A Fl Cow Slaughter **	Thou. Head	127	126	1.2%	132	-3.6%	5,158	-1.5%
T Avg. Dressed Weight	Lbs.	844	844	0.0%	829	1.8%	830	2.7%
T Beef Production	Million Lbs.	545.1	537.3	1.5%	543.0	0.4%	22,755	-1.1%
L Live Fed Steer Price, 5-Mkt	\$ per cwt	106.35	104.24	2.0%	114.60	-7.2%		
E Dressed Steer Price, 5-Mkt	\$ per cwt	165.30	161.19	2.5%	181.04	-8.7%		
Oklahoma Steer (600-700 lbs)	\$ per cwt	134.82	126.56	6.5%	146.88	-8.2%		
& Choice Beef Cutout	\$ per cwt	211.03	207.15	1.9%	237.08	-11.0%		
Hide/Offal	\$ per cwt, live wt	8.35	8.33	0.2%	8.88	-6.0%		
B Rib, Primal, Choice	\$ per cwt	392.02	382.90	2.4%	419.92	-6.6%		
E Round, Primal, Choice	\$ per cwt	173.47	168.08	3.2%	189.89	-8.6%		
E Chuck, Primal, Choice	\$ per cwt	171.12	167.20	2.3%	191.57	-10.7%		
F Trimmings, 50%, Fresh	\$ per cwt	38.79	35.67	8.7%	87.89	-55.9%		
Trimmings, 90%, Fresh	\$ per cwt	197.66	194.58	1.6%	231.80	-14.7%		
H Fl Slaughter	Thou. Head	2,713	2,683	1.1%	2,698	0.6%	111,041	0.9%
H Fl Sow Slaughter **	Thou. Head	63.0	58.9	7.0%	60.6	4.0%	2,738	11.0%
O Avg. Dressed Weight	Lbs.	216.0	215.0	0.5%	214.0	0.9%	215	0.9%
G Pork Production	Million Lbs.	586.4	577.8	1.5%	577.9	1.5%	23,822	1.9%
S Natl. Negotiated Purchase	Wtd. Avg.	60.77	61.63	-1.4%	45.95	32.3%		
Natl. Base Carcass Price	Wtd. Avg.	69.23	71.78	-3.6%	62.07	11.5%		
& Natl. Net Carcass Price	Wtd. Avg.	70.95	73.48	-3.4%	63.81	11.2%		
Natl. Early Wean Feeder	10-12 Lbs.	38.37	38.82	-1.2%	35.19	9.0%		
P Pork Cutout	\$ per cwt	84.00	87.32	-3.8%	80.50	4.3%		
O By-product Value	\$ per cwt, live wt	4.36	4.32	0.9%	3.59	21.4%		
R Ham, Primal	\$ per cwt	89.15	87.37	2.0%	79.03	12.8%		
K Loin, Primal	\$ per cwt	74.96	77.20	-2.9%	69.79	7.4%		
Belly, Primal	\$ per cwt	112.40	130.24	-13.7%	114.44	-1.8%		
Trimmings, 72%, Fresh	\$ per cwt	87.33	84.35	3.5%	47.74	82.9%		
C Young Chicken Slaughter *	Million Head	166.4	167.4	-0.6%	172.99	-3.8%	7,250	-0.8%
H Avg. Weight (RTC)	Lbs.	4.80	4.86	-1.2%	4.82	-0.3%	4.80	1.6%
I Young Chicken Production (RTC)	Million Lbs.	799.4	814.0	-1.8%	833.5	-4.1%	34,781	0.8%
C Eggs Set (US)	Million	218.0	222.1	-1.8%	224.1	-2.7%	10,156	0.3%
K Chicks Placed (US)	Million Head	177.0	172.8	2.5%	177.6	-0.3%	8,140	-0.5%
E National Composite Whole Bird	Composite	70.01	69.09	1.3%	78.50	-10.8%		
N Northeast Breast, B/S	\$ per cwt	84.72	83.62	1.3%	86.84	-2.4%		
Northeast Leg Quarters	\$ per cwt	24.69	24.84	-0.6%	32.15	-23.2%		
T Total Turkey Slaughter *	Million Head	4.72	4.93	-4.4%	5.18	-9.0%	177.7	-1.7%
U Avg. Weight (RTC)	Lbs.	24.12	22.82	5.7%	24.28	-0.6%	25.66	-1.2%
R Turkey Production (RTC)	Million Lbs.	113.7	112.5	1.1%	125.8	-9.6%	4,562	-2.9%
K National Hen (8-12 Lbs)	\$ per cwt	115.00	117.40	-2.0%	98.80	16.4%		
G Corn, Omaha	\$ per Bushel	3.98	3.86	3.2%	3.56	11.9%		
R Distillers Grain, IA	\$ per Ton	170.00	160.00	6.3%	145.00	17.2%		
A Soybean, Cntrl IL	\$ per Bushel	11.06	10.60	4.3%	9.27	19.4%		
I Soybn Meal 48%, Cntrl IL	\$ per Ton	385.80	375.90	2.6%	307.10	25.6%		
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).

