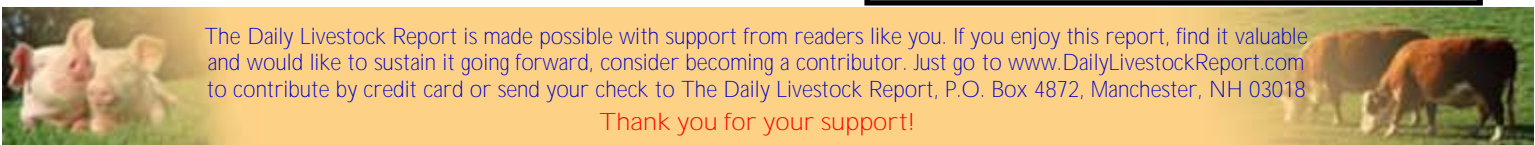
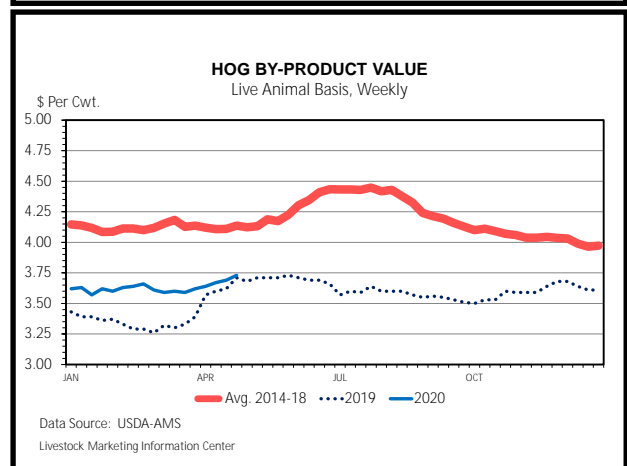
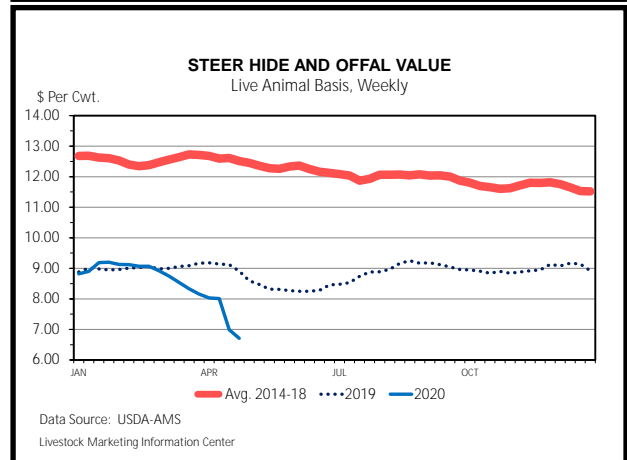
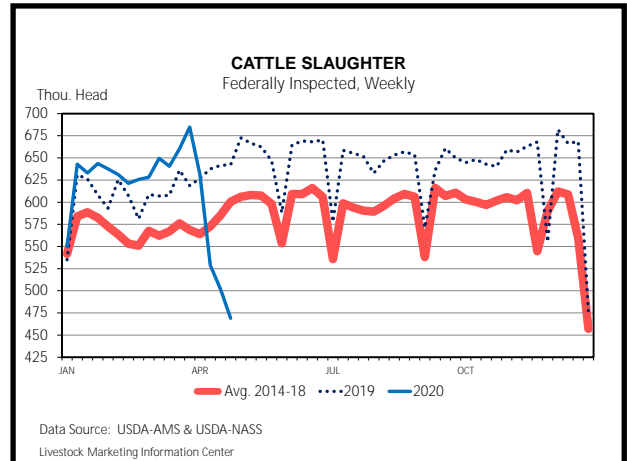


Yesterday, President Trump announced his intent to sign an Executive Order using the Defense Production Act, instructing meat and poultry processing plants to remain open. Details were not available when this newsletter was written. Headlines on COVID-19 plant closures for meat (beef and pork) and poultry (chicken and turkey) have been an almost daily occurrence, recently.

Preliminary data on U.S. Federally Inspected (FI) cattle slaughter put last week at 469,000 head. That was a decline of 33,000 head (-7%) week-over-week, a drop of 191,000 animals (-29%) from five weeks earlier, and compared to a year ago -173,000 head (-27%). Last week, FI hog slaughter fell by 253,000 head (-11%) compared to the prior week, was down 804,000 head (-29%) from five weeks ago, and dropped 352,000 head (-15%) year-over-year. Those harvest declines translated into higher cutout values (wholesale meat prices on a carcass equivalent basis) and reductions in animal prices.

During recent weeks, non-meat items (hides, liver, tallow, etc.), which are often referred to as by-products produced by livestock, have been on some different paths. By-product values are reported weekly by USDA's Agricultural Marketing Service, Market News Division (AMS) on a live animal basis (dollars per cwt.). Even with reduced supply, the steer by-product value has been falling. At \$6.71 per cwt., last week's steer value was -2.20 (-25%) compared to a year earlier. In contrast to the steer value, the hog by-product value has been rather steady since the first of this year and has crept a little higher during the last few weeks. Last week's hog value was essentially the same as 2019's. The story seems to be, for beef by-products in total, that demand has declined (shifted negatively) to a greater extent than supply has adjusted. That same supply and demand situation has not happened for the hog by-product value. Much of the story regarding the recent cattle by-product value is behind the scenes. That is, in the prices of the individual components.

Substantial declines have occurred in most major cattle by-product items (as reported by AMS). Compared to a year ago, last week's tripe price was down 52%, and hearts dropped by 16%. Depending on the type, steer hides were lower by 40% to 49%. Historically, by a wide margin, on a per animal basis, hides have been the major contributor to the cattle by-product value. But that relationship has changed. Last week, the Livestock Marketing Information Center (LMIC) estimated that per 1000 pounds of steer, the hide was about 23% of the total by-product value. A year ago, that relationship was 37%, and five years earlier, it stood at 48%.



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