Daily Livestock Report

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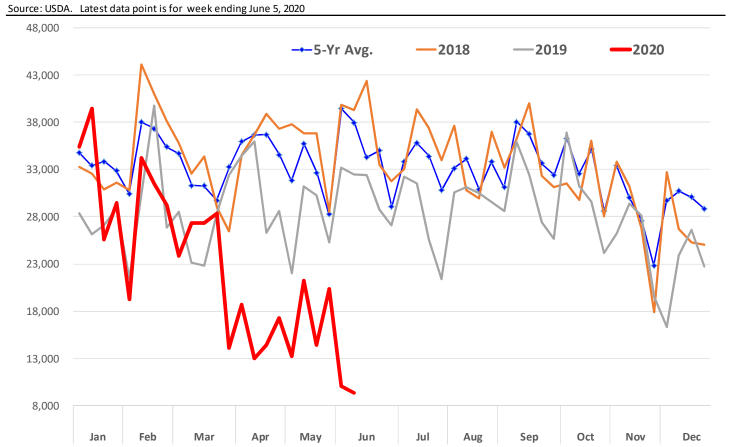
<u>Wholesale meat prices have hit a wall</u>. The pork cutout on Friday closed at $72.78/cwt, down 17.5% from a week ago and 40% lower from the peak on May 11. Similarly, the choice beef cutout on Friday settled at $261.48/cwt, a 28% decline in just one week and 45% lower from the peak on May 12. While the popular press is still running stories about COVID cases in meat packing plants and limited meat supplies, the reality is that **<u>most packing plants have quickly recovered from the virus shock of a few weeks ago</u>**. They have implemented new procedures, they have devoted more resources to dealing with the virus, and they are benefiting from the fact that, despite the many positive cases, most workers have been non-symptomatic. During the recent COVID testing at Storm Lake IA, 591 workers tested positive but 75% those infected did not have any symptoms. Positive workers obviously had to be quarantined for a period of time but they are now coming back. The result has been a notable improvement in the slaughter rate. Last week cattle slaughter was estimated at 636,000 head, the highest since the last week of March and only 4.3% lower than a year ago. We think fed cattle slaughter last week was over 500,000 head and only 5% lower than last year. The weight of steers and heifers coming through is likely 4-5% higher so net fed beef supplies for the week were similar to a year ago. Hog slaughter for the week was 2.452 million head, the highest since the first week of April and 1.7% higher than a year ago. Add to this the heavier hog carcass weights and pork production for the week was 4.2% higher than last year.

The increase in beef and pork supplies comes at a time when retailers are working hard to slow down the quantity demanded. You do that by reducing the number of meat protein features, raising prices and imposing limits on the number of meat packages that a consumer can buy. There is always a lag in the price transmission from wholesale to retail given the way product is distributed and that is especially apparent today. USDA issues each week a report on US meat protein and dairy retail features. While there are more sophisticated private analyses of retail sales based on POS data, the USDA report is still useful because it is timely and it covers a fairly large number of establishments around the country. We think the reports are especially useful in discerning trends given that they follow a similar methodology throughout the year. They are one quick, early indication as to what's happening at retail. And the last three weeks suggest a dramatic shift both in the number of beef and pork features as well as the average feature price.

Pork loins are ubiquitous in the retail meat case and normally an item that retailers feature heavily, especially during grilling season. For the week ending June 5, the loin activity index (a count of how often loins were featured) was down 71% from the same week a year ago. In the last three weeks, the loin activity index averaged 54% below last year's levels. The weighted average price of loin features for the latest week was 56% higher than the same week a year ago. Production has quickly recovered to above year ago levels but, for the moment, consumers are facing sharply higher prices at retail. The reverse was true in early May where supply availability had collapsed and yet consumers were seeing relatively low prices in the meat case. In the short term, the stickiness of prices at retail tends to exacerbate wholesale price volatility. The situation for beef is very similar. Ground beef is just as ubiquitous as pork loins in the meat case. The ground beef activity index last week was 82% lower than last year and in the last three weeks it has averaged 70% under last year's levels. If the retailer is putting limits as to how much ground beef can be bought, it makes no sense to put it on a feature. The average price of 80-89% ground beef feature price last week was 44% higher than last year. In the last three weeks ground beef feature prices average 42% higher than last year.

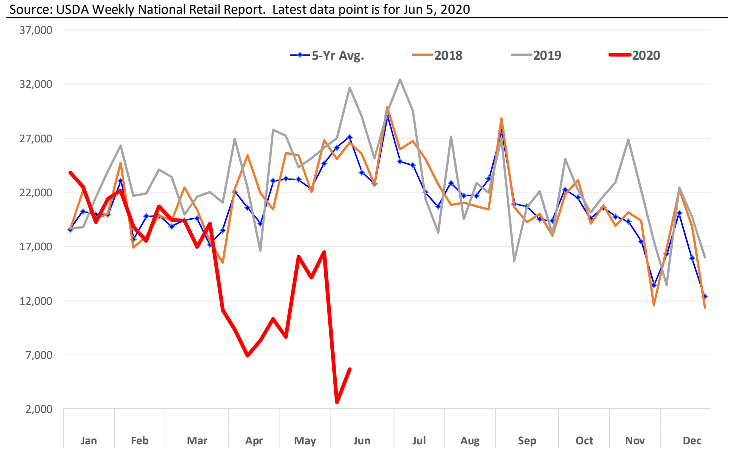
NATIONAL <u>RETAIL PORK FEATURES REPORT</u>: PORK LOIN ACTIVITY INDEX

Source: USDA. Latest data point is for week ending June 5, 2020



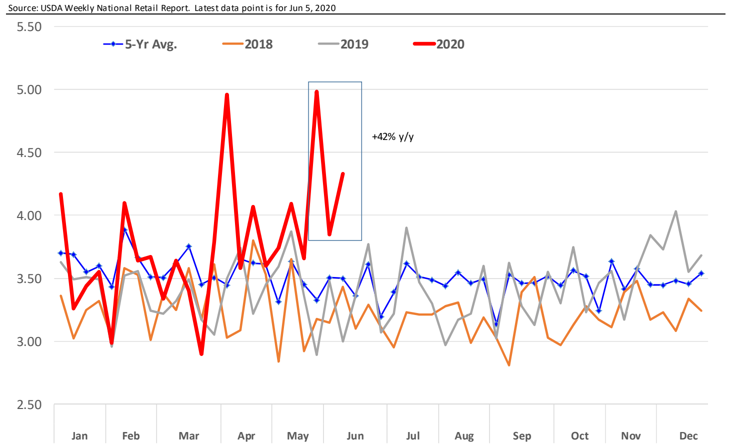
Weekly Ground Beef Retail Activity Index. USDA National Retail Report

Source: USDA Weekly National Retail Report. Latest data point is for Jun 5, 2020



Weekly Reported Retail Feature Prices, USDA National Retail Report: GROUND BEEF 80-89%

Source: USDA Weekly National Retail Report. Latest data point is for Jun 5, 2020



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending 6/6/2020

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
			6-Jun-20	30-May-20		8-Jun-19			
	Total Beef, Pork, Chicken, Turkey	**mil lbs., cwe**	**1,859**	**1,738**	6.96%	**1,818**	2.25%	**42,272**	0.2%
	FI Slaughter	Thou. Head	636	524	21.37%	665	-4.30%	13,309	-6.7%
C	FI Cow Slaughter **	Thou. Head	118	117	0.59%	116	1.23%	2,593	-0.1%
T	Avg. Dressed Weight	Lbs.	824	820	0.49%	791	4.17%	824	2.5%
T	Beef Production	Million Lbs.	522.6	428.6	21.93%	524.5	-0.36%	10,964	-4.4%
L	Live Fed Steer Price	$ per cwt	112.68	115.71	-2.62%	113.76	-0.95%		
E	Dressed Fed Steer Price	$ per cwt	179.17	183.83	-2.53%	184.21	-2.74%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	144.36	N/A	N/A	151.84	-4.93%		
&	Choice Beef Cutout	$ per cwt	297.90	374.04	-20.36%	222.57	33.85%		
	Hide/Offal	$ per cwt, live wt	7.13	7.12	0.14%	8.25	-13.58%		
B	Rib Primal, Choice	$ per cwt	495.28	506.05	-2.13%	361.03	37.19%		
E	Round Primal, Choice	$ per cwt	230.08	339.43	-32.22%	167.23	37.58%		
E	Chuck Primal, Choice	$ per cwt	232.10	326.38	-28.89%	174.92	32.69%		
F	Trimmings, 50%	$ per cwt	84.60	103.16	-17.99%	90.08	-6.08%		
	Trimmings, 90%	$ per cwt	296.56	306.23	-3.16%	224.55	32.07%		
	FI Slaughter	Thou. Head	2,452	1,949	25.81%	2,410	1.76%	54,570	-1.1%
	FI Sow Slaughter **	Thou. Head	67.5	69.8	-3.17%	52.9	27.69%	1,348	11.4%
H	Avg. Dressed Weight	Lbs.	219.0	219.0	0.00%	214.0	2.34%	216	0.8%
O	Pork Production	Million Lbs.	537.4	426.9	25.88%	515.6	4.23%	11,802	-0.3%
G	Iowa-S. Minn. Base	Wtd. Avg.	33.84	37.83	-10.55%	76.06	-55.51%		
S	Natl. Base Carcass Price	Wtd. Avg.	59.97	64.73	-7.35%	78.65	-23.75%		
	Natl. Net Carcass Price	Wtd. Avg.	61.48	66.02	-6.88%	80.64	-23.76%		
	Natl. Early Wean Feeder	Wtd. Avg.	17.46	15.47	12.86%	42.91	-59.31%		
	Pork Cutout	205 Lbs.	75.61	90.98	-16.89%	83.59	-9.55%		
	Ham Primal	$ per cwt	49.58	51.04	-2.86%	80.49	-38.40%		
	Loin Primal	$ per cwt	99.34	131.60	-24.51%	83.79	18.56%		
	Belly Primal	$ per cwt	95.67	83.75	14.23%	108.78	-12.05%		
	Trimmings, 72%, Fresh	$ per cwt	128.75	135.11	-4.71%	92.10	39.79%		
	Hog By-Product Value	$ per cwt, live wt	3.68	3.73	-1.34%	3.71	-0.81%		
C	Young Chicken Slaughter *	Million Head	145.6	162.2	-10.28%	148.8	-2.19%	3,616	2.0%
H	Avg. Weight (RTC)	Lbs.	4.88	4.88	0.00%	4.63	5.42%	6.27	1.9%
I	Young Chicken Production (RTC)	Million Lbs.	710.2	791.5	-10.27%	688.7	3.11%	17,237	4.0%
C	Eggs Set (19-state)	Million	233.7	231.9	0.79%	234.0	-0.11%	5,150	1.2%
K	Chicks Placed (19-state)	Million Head	180.7	172.5	4.73%	188.4	-4.09%	4,074	0.1%
E	National Composite Whole Bird	Composite	74.62	74.00	0.84%	97.03	-23.10%		
	Northeast Breast, B/S	$/cwt	133.12	151.37	-12.06%	115.52	15.24%		
	Northeast Leg Quarters	$/cwt	32.76	32.54	0.68%	47.21	-30.61%		
T	Total Turkey Slaughter *	Million Head	3.452	3.464	-0.35%	3.34	3.35%	86.248	-0.7%
U	Avg. Weight (RTC)	Lbs.	25.69	26.25	-2.16%	26.69	-3.74%	32.69	-1.5%
R	Turkey Production (RTC)	Million Lbs.	88.7	90.9	-2.49%	89.1	-0.52%	2,270	-2.0%
K	National Hen (8-12 lb)	8-16 Lbs.	106.05	105.00	1.00%	87.50	21.20%		
G	Corn, Omaha	$ per Bushel	3.15	3.16	-0.32%	4.07	-22.60%		
R	Soybeans, Cntrl IL	$ per Bushel	8.76	8.53	2.70%	8.53	2.70%		
A	Soybn Meal 48%, Cntrl IL	$ per Bushel	291.30	285.80	1.92%	317.40	-8.22%		
I	Distillers Grain, IL	$ per Bushel	151.50	152.50	-0.66%	145.00	4.48%		

* 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.