



MORNING October 19, 2020 Livestock Report

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CATTLE

USDA FEDERAL SLAUGHTER

OCTOBER 16, 2020	116,000
WEEK AGO	112,000
YEAR AGO	108,000
SATURDAY 10/17/2020	62,000 - A WEEK AGO 53,000, YEAR AGO 72,000
WEEK TO DATE (EST)	654,000
SAME PERIOD LAST WEEK (EST)	637,000
SAME PERIOD LAST YEAR (ACT)	643,000
2020 YEAR TO DATE	25,467,000
*YEAR TO DATE	26,507,000
Percent change year to date	-3.6%
Previous week	-4.1%

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	CHOICE	SELECT
BOXED BEEF FINAL	210.03	193.52
CHANGE FROM PRIOR DAY	(0.45)	(2.98)
CHOICE/SELECT SPREAD:		16.51
TOTAL LOAD COUNT		127
5 DAY SIMPLE AVERAGE:	212.55	199.20

PREVIOUS WEEK 10/09/2020

BOXED BEEF FINAL	214.06	199.82
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Based on negotiated prices and volume of boxed beef cuts delivered within 0-21 days and on average industry cutting yields. Values reflect U.S. dollars per 100 pounds

FINAL OCTOBER 16, 2020

Primal Rib	387.34	330.74
Primal Chuck	171.61	165.30
Primal Round	165.72	165.91
Primal Loin	273.17	236.61
Primal Brisket	154.35	146.12
Primal Short Plate	126.97	126.97
Primal Flank	99.34	97.55



PREVIOUS WEEK FINAL OCTOBER 9, 2020

Primal Rib	383.30	342.76
Primal Chuck	173.91	163.14
Primal Round	168.00	166.49
Primal Loin	287.91	260.30
Primal Brisket	153.49	151.26
Primal Short Plate	129.36	129.36
Primal Flank	100.43	97.12

LOAD COUNT AND CUTOUT VALUE SUMMARY FOR PRIOR 5 DAYS

Date	Choice	Select	Trim	Grinds	Total	CHOICE	SELECT
						600-900	600-900
10/15	139	60	10	27	236	210.48	196.50
10/14	103	43	0	26	173	211.14	199.27
10/13	83	46	12	17	157	212.44	200.08
10/12	76	23	12	16	127	214.62	200.34
10/09	75	30	11	8	124	214.06	199.82
10/08	82	44	8	28	162	216.00	203.10

NATIONAL BOXED BEEF CUTS - NEGOTIATED SALES FOB Plant basis negotiated sales for delivery within 0-21-day period. Prior days sales after 1:30pm are included.
CURRENT VOLUME - (one load equals 40,000 pounds)

Choice Cuts	68.17 loads	2,726,864 pounds
Select Cuts	38.47 loads	1,538,962 pounds
Trimming	10.85 loads	433,849 pounds
Ground Beef	9.86 loads	394,265 pounds

USDA BY-PRODUCT DROP VALUE (STEER) FOB CENTRAL U.S.
[HTTPS://WWW.AMS.USDA.GOV/MNREPORTS/NW_LS441.TXT](https://www.ams.usda.gov/mnreports/nw_ls441.txt)

USDA LIVESTOCK REPORTS FOR OCTOBER 2020

OCTOBER 22, 2020 COLD STORAGE REPORT 2:00PM CENTRAL TIME
OCTOBER 23, 2020 CATTLE ON FEED REPORT 2:00PM CENTRAL TIME

DELIVERY NOTICE SERVED – OCTOBER 2020 - LIVE CATTLE
SETTLEMENT: OCTOBER 16, 2020 - \$107.15
OLDEST LONG: 02/28/20 SETTLEMENT AT \$107.52
0 DELIVERIES



USDA POSTED CATTLE PRICES ON 10/16/2020
 IA/MN – CASH 106.00 - 107.00- DRESSED 166.00 - 167.00
 NE - CASH – No Reportable Trade. DRESSED: 167.00 - 168.00
 KS – CASH 106.00 DRESSED No Reportable Trade.
 TX/OK/NM – No Reportable Trade.
 CO – Information not available due to confidentiality

***National Daily Direct Cattle October 16, 2020
 (5 day accumulated weighted avg)

	Weight	Price	Head
Live Steer:	1473	\$107.99	61,043
Live Heifer:	1315	\$108.18	29,573
Dressed Steer:	977	\$168.90	33,656
Dressed Heifer:	858	\$169.11	9,506

PREVIOUS WEEK

National Daily Direct Cattle October 9, 2020
 (5 day accumulated weighted avg)

	Weight	Price	Head
Live Steer:	1487	\$107.24	26,871
Live Heifer:	1351	\$107.10	12,716
Dressed Steer:	961	\$168.08	16,022
Dressed Heifer:	868	\$168.03	4,994

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There are too many cattle that are too heavy and too many cattle not making the Choice grade. It can be bullish.

Remember when the Cattle on Feed reports last spring had big disappearance because cattle were moved to areas and fed subsistence diets or rations were made so they wouldn't gain. When they returned to feedlots, they were bigger and needed the time to put on weight. As it happens, some of the cattle had no problem with converting feed to weight gain and would grade Choice but others because of the set back couldn't put on enough fat. But they all needed extra days on feed and now there are too many big Choice and Select cattle because of it. A few Yield Grade 4's and 5's and few extra Select can be squeezed into the market. But, when there are too many added to the cattle that are already 20 to 35 pounds too heavy, there is a problem.

Cattle prices have been dropping because there are too many Yield Grade 4's and 5's along with too many dead head 1's and 2's. Too many big Choice and Select cattle are a problem to sell and have so far kept the lid on Yield grade 3's from moving higher.



However, before long, packers are going to need cattle that meet the needs of meat that was forward contracted. Some buyers, will take the meat with discounts but most retail buyers want specific sized cuts or carcasses.

For instance, if I was the meat buyer for Jumbo's Big Boxed Store and I previously contracted 50 loads of Choice rib sections from Choice yield grade 3 cattle several months ago to be distributed to stores throughout the country by the first week of November, 75 loads the second week and 100 loads the third week of November, the packer needs to meet the specifications of the order. The buyer doesn't want Yield Grade 4 or 5 ribeyes or Select ribeyes, the buyer wants the contracted specified beef.

But what happens when there are fewer Yield Grade 3 Choice cattle? The packer will have to compete for Yield Grade 3 Choice cattle and pay up. However, to make up the difference, the cattle not conforming to what the packer needs will be deeper discounted.

Choice Yield grade 3 cattle will stop dropping and could even quickly turn higher because the packer must fill orders of the previously sold contracts.

When there are too many overfed Choice cattle, Yield Grade 4's and 5's, combined with the heavy Select cattle, packers will change discounts and deep cut prices on the out cattle

It can also backfire on a cattle producer that has cattle that cannot be used for delivery on a contract or a futures contract. If a feedlot contracted or hedged and has cattle that don't meet grade specifications, they will have to buy out the contract or find cattle on the market they can deliver. When this has happened, cattle prices often go up. The feedlot then deliveries or pays the difference on what has replaced the contract and often ends up taking severe discounts on the cattle that were originally meant to fill the contract.

It happens. Somewhere deep in old boxes I have copies of contracts. One group of cattle, Yield Grade 5's weighed average 1675 pounds were discounted \$12.00/cwt and biggest in the group \$27.00/cwt.

On Thursday when cattle in Iowa averaged 1,597.5 pounds, it is likely to happen again.

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Too many Select cattle may be the reason that October deliveries have been light. The minimum contract specifications are 65% Choice and 35% Select Yield Grade 3 steers and heifers. (As of February 2021 grade changes to 70% Choice to 30% Select Yield Grade 3's.) All cattle must be born and raised exclusively in the United States and delivering sellers must sign an Exchange affidavit attesting that the cattle were born and raised in the United States.



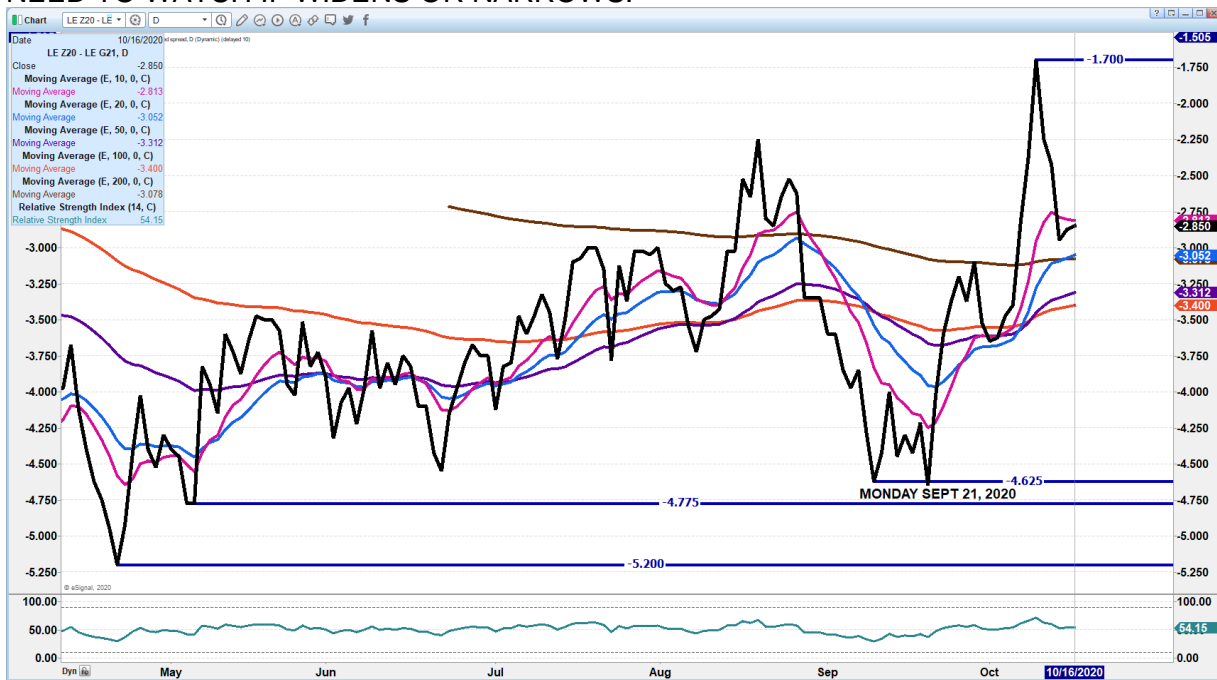
Steers need to weigh between 1,050 pounds and no more than 1,500 pounds and heifers between 1,050 and 1,350 pounds. Steers and heifers need to have an average hot yield of 63%.

As the ***National Daily Direct Cattle on the 5 day accumulated average shows, the average weights of cattle sold indicates that there are many steers and heifers weighing above the high end of acceptable CME weight standards.

On the positive side, packers are aggressively trying to forward contract cattle. Packer basis is plus \$1.00 over futures December 2020 through April 2021 and plus \$4.00 over futures from May throughout the summer of 2021.

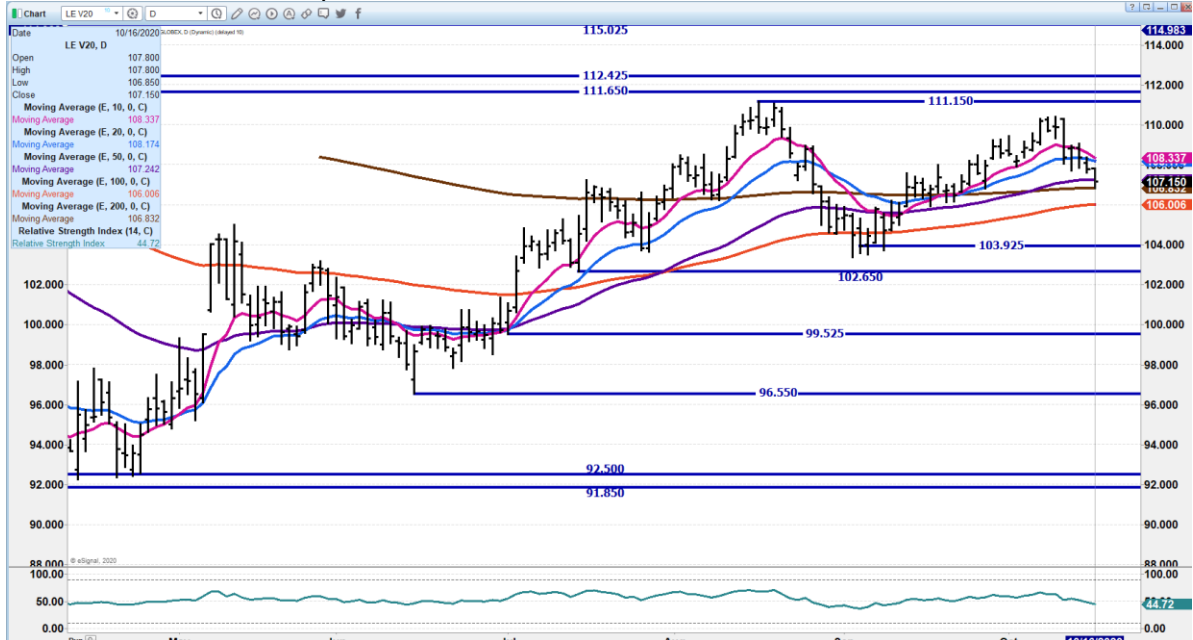
As of October 14th, dressed steer and heifer weights were 893.4 compared to previous week at 897.5 down 4.1 pounds from week ago and 21 pounds over a year ago. Grading percent was 81.7% compared to previous week at 81.2%.

DECEMBER 2020/FEBRUARY 2021 LIVE CATTLE SPREAD - NORMAL AT THIS TIME. NEED TO WATCH IF WIDENS OR NARROWS.

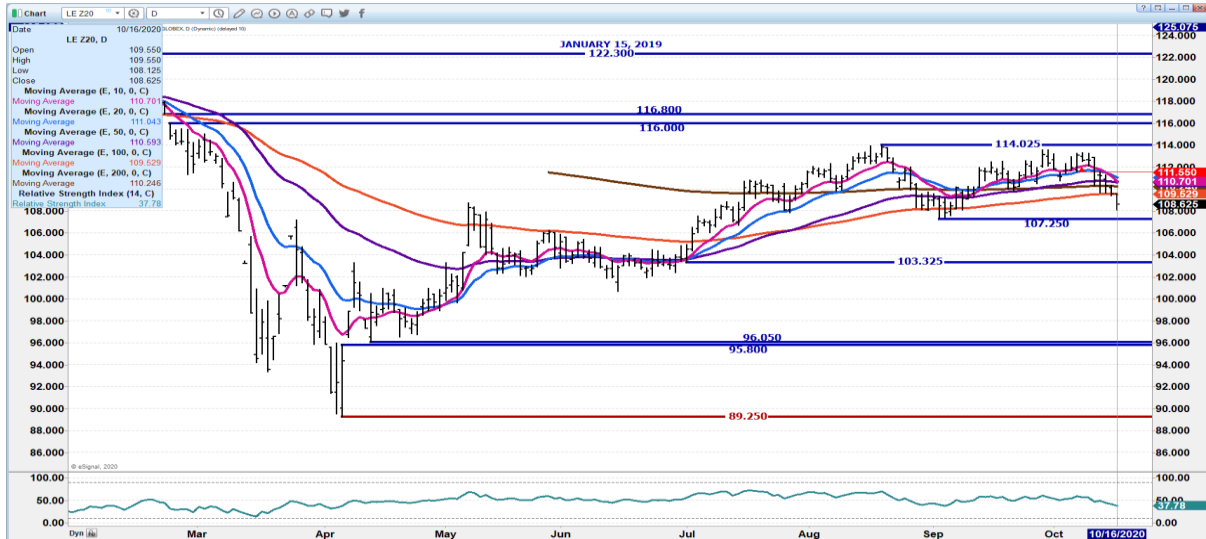




OCTOBER 2020 LIVE CATTLE – Fell to 100 day moving average. Next support at 106.05 Resistance at 108.37 Open interest now at 5,054 contracts



DECEMBER 2020 LIVE CATTLE – Volume 23,269 contracts Support at 107.25 Resistance 109.55 to 111.55

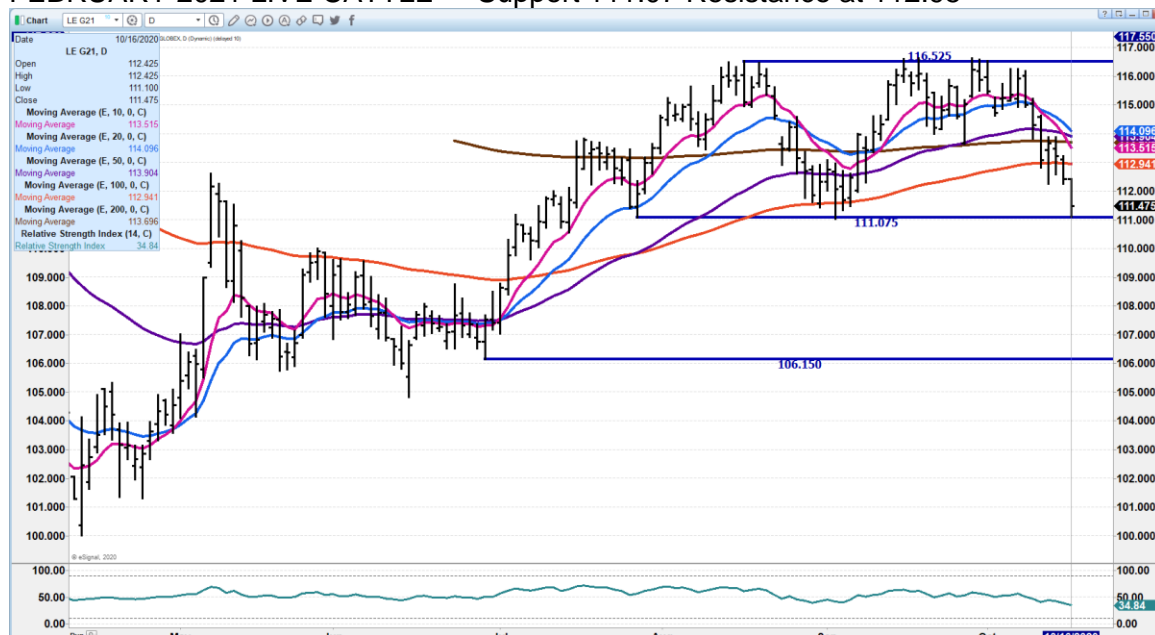




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FEBRUARY 2021 LIVE CATTLE - Support 111.07 Resistance at 112.95



Feeder Cattle

THE CME FEEDER INDEX ON 10/15/2020 WAS 140.22 DOWN 69 CENT FROM PREVIOUS DAY -

OCTOBER 2020 FEEDER CATTLE SETTLED ON OCTOBER 16, 2020 AT \$138.10

NATIONAL FEEDER & STOCKER CATTLE SUMMARY – WEEK ENDING 10/16/2020

RECEIPTS:	Auctions	Direct	Video/Internet	Total
This Week:	243,900	15,300	8,400	267,600
Last Week:	228,400	21,000	23,400	272,800
Year Ago:	274,000	44,000	2,100	320,100

Compared to last week, steers and heifers sold steady to 3.00 lower. The best demand was seen this week on the limited supply of yearlings still out there in the country. The bulk of the feeder supply this week consisted of calves as the percent over 600 lbs. continues the typical seasonal decline. Last year in October, the percent over 600 lbs. declined 12 percentage points. October is the time of year that some producers opt to forgo a weaning regimen and sell

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their calves directly off the cow only to be met with steep discounts at the auction. The demand for calves continues to be very dependent upon the health program of the originating producer.

https://www.ams.usda.gov/mnreports/sj_ls850.txt

Feeders are cheap and with level of slaughter now, feedlots need to replace cattle.

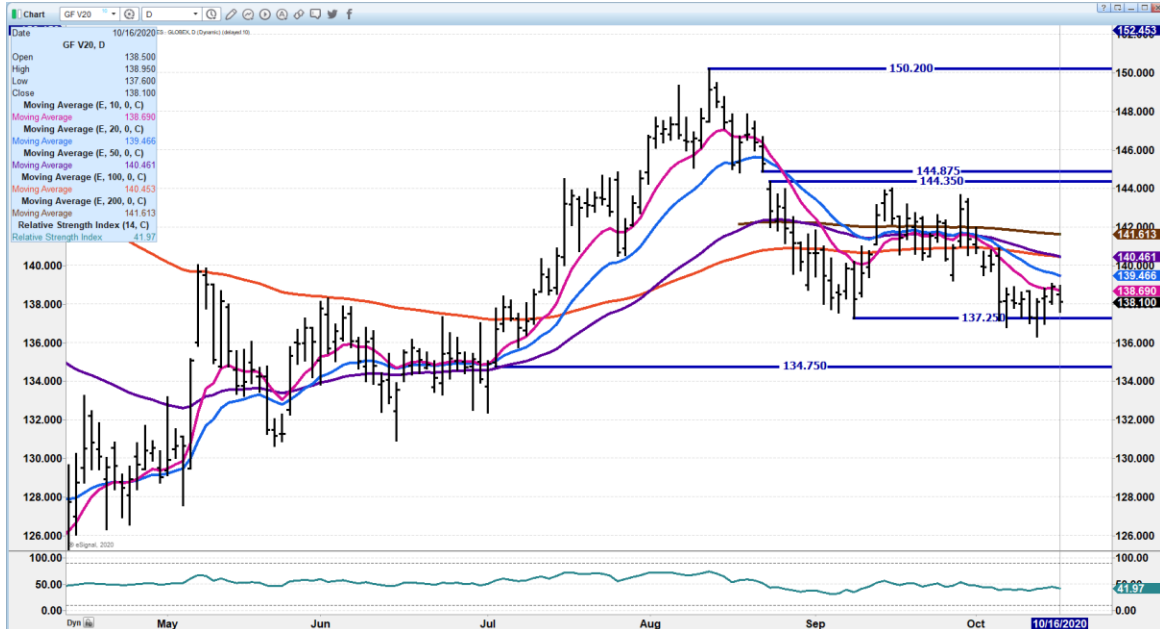
JANUARY 2021/MARCH 2021 FEEDER CATTLE SPREAD - SPREAD IS NARROW. RSI AT 23 IS GETTING NEAR TO OVER SOLD. NARROWING IS BULL SPREADING



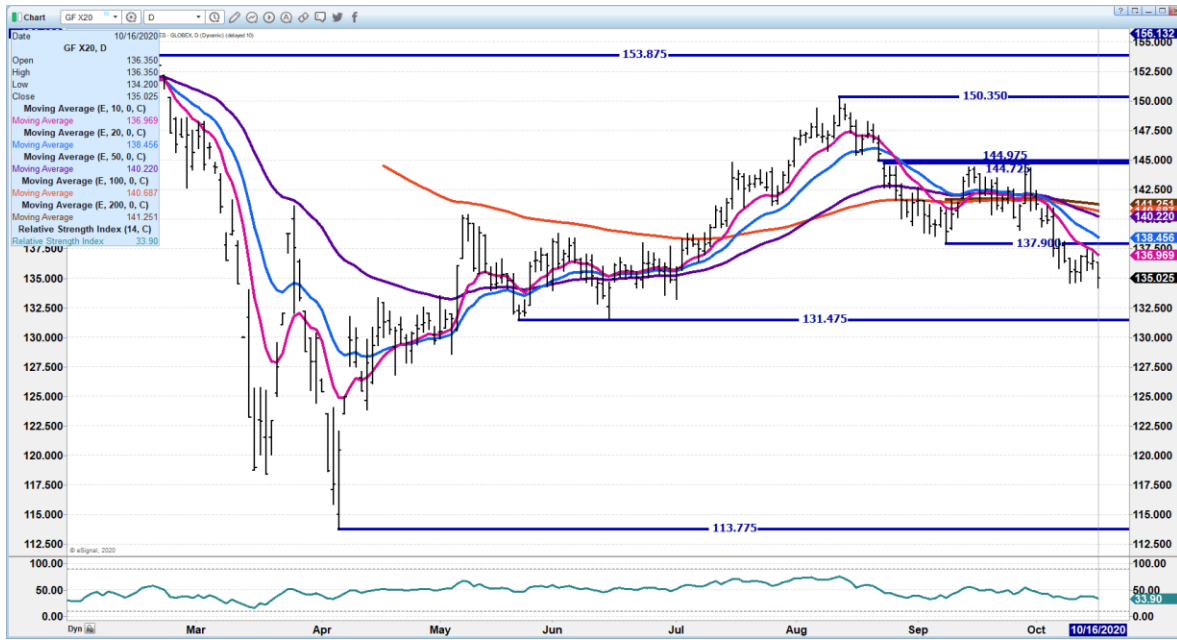
OCTOBER 2020 FEEDER CATTLE – BELOW CME CASH INDEX AT 140.22 RESISTANCE 140.45 SUPPORT AT 137.25



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NOVEMBER 2020 FEEDER CATTLE - SUPPORT AT 137.25 RESISTANCE AT RESISTANCE 137.00 TO 141.60 SUPPORT AT 131.47

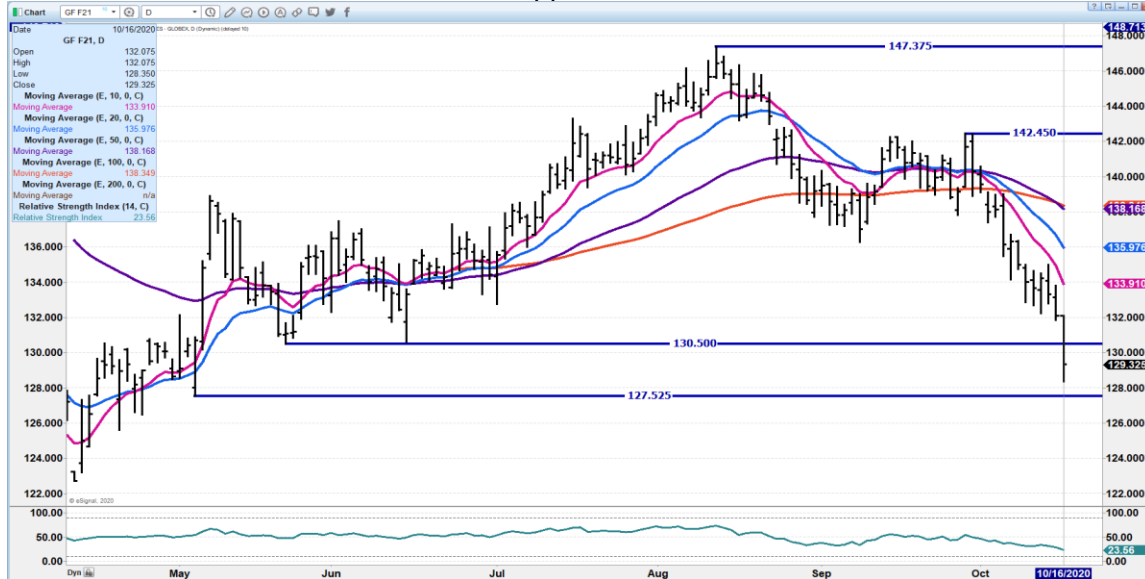


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JANUARY 2021 FEEDER CATTLE – Support at 127.52 Resistance at 133.95 to 135.97



LEAN HOGS

USDA ESTIMATED FEDERAL HOG SLAUGHTER

OCTOBER 16, 2020	487,000	
WEEK AGO	487,000	
YEAR AGO	483,000	
SATURDAY 10/17/2020	264,000-	A WEEK AGO 289,000 - YEAR AGO 281,000
WEEK TO DATE (EST)	2,688,000	
SAME PERIOD LAST WEEK (EST)	2,730,000	
SAME PERIOD LAST YEAR (ACT)	2,723,000	
2020 YEAR TO DATE	102,973,000	
2019 *YEAR TO DATE	101,951,000	

PERCENT CHANGE YEAR TO DATE 1.0% COMPARED TO PREVIOUS WEEK AT 1.1%

REVISED THURSDAY HOG SLAUGHTER..482,000 NEW WEEK TO DATE..1,937,000
PREVIOUS ESTIMATE 490,000

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CME CASH HOG INDEX 10/14/2020 AT 78.49 UP 25 CENTS FROM PREVIOUS DAY

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CME CASH PORK CUTOUT INDEX 10/15/2020 AT 95.38 UP 1.18 FROM PREVIOUS DAY.

CME CASH FRESH BACON INDEX ON 10/09/2020 WAS 200.47 COMPARED TO 10/02/2020 WAS 194.37

LAST WEEK, \$23.96 MONTH AGO (\$2.02)

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Mexico is a weekly consistent buyer and likely reason fresh hams are strong. China small buyer. Could have topped big buying for year with Harvest Festival over. Plenty of poultry and pork available in China.

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Pork market gained \$4.80 for the week. Loins and hams both higher, bellies \$10.00 plus. Butts and picnics were down and ribs steady. Movement was fairly light.

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It is now time to concentrate on December/February or spreads into June 2021. Anything can happen now that October settled. The world has a lot of pork. Chinese pork prices are dropping. China has been buying to refill coolers. Next big need for China will be late January to February. China is now COVID testing all people and starting to lock down certain areas. The tonnes of pork China has bought the first 10 months not only from the US but Brazil and the EU and with their own hog herd quickly rebuilding and poultry inventories 2.5 times of 2019 might come to a fast breaking halt.

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In 2018 October hogs settled \$13.50 over December. When October 2018 closed out. the market did the exactly the opposite on the December 2018-February 2019. The Dec 2018/Feb 2019 spread moved December 2018 minus \$13.62 under February 2019 and it settled at minus \$9.55. December was the short leg with October 2018/ December 2018 spread and the short leg on the Dec 2018/Feb 2019 spread . As of October 13, 2020 the December/February spread has Dec 2020 minus \$3.97 to Feb 2021.

USDA MARKET NEWS

Based on negotiated prices and volume of pork cuts delivered within 14 days and on average industry cutting yields. Calculations for 215 lb Pork Carcass. 55-56% lean, 0.55"-0.70" BF Last Rib

NATIONAL DAILY PORK REPORT FOB PLANT - NEGOTIATED SALES
OCTOBER 16, 2020
LOADS OF PORK CUTS: 247.76
LOADS TRIM/PROCESSED PORK: 41.04

FINAL



Date	Loas	Carcass	Loin	Butt	Pic	Rib	Ham	Belly
10/16/2020	288.80	99.19	91.07	91.41	63.08	148.47	84.47	173.65
CHANGE :		-2.23	2.08	-0.25	-1.83	-0.81	-8.67	-0.24
Five Day Average --		97.48	89.11	93.05	65.71	151.15	79.36	169.43

FRIDAY OCTOBER 9, 2020 FINAL

Date	Loas	Carcass	Loin	Butt	Pic	Rib	Ham	Belly
10/09/2020	368.58	94.80	87.82	97.83	69.42	148.64	71.72	163.28

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**NATIONAL DAILY DIRECT HOG PRIOR DAY REPORT - SLAUGHTERED SWINE
SLAUGHTER DATA FOR OCTOBER 15, 2020**

Average carcass weight - 283.94
Average live weight - 212.69

**DAILY DIRECT HOGS PLANT DELIVERED AS OF 1:30 PM October 16, 2020
NATIONAL NEGOTIATED PURCHASE BASE CARCASS PRICES**

Carcass Base Price: \$56.00 - \$66.00
Weighted Average: \$62.13
Change from Prior Day: 1.33 lower
HOGS SOLD: 5,568

SWINE OR PORK MARKET FORMULA PURCHASE (Including Packer Sold)

PRICE RANGE: \$60.00 - \$96.99
Weighted Average: \$77.33
Previous Day: \$76.60
HOGS SOLD: 176,066

https://www.ams.usda.gov/mnreports/lm_hq203.txt



DECEMBER 2020/FEBRUARY 2021 LEAN HOG SPREAD - SPREAD IS NARROW CONTINUES TO NARROW IT IS BULLISH



DECEMBER 2020 LEAN HOGS – 71.85 Resistance Support at 67.10

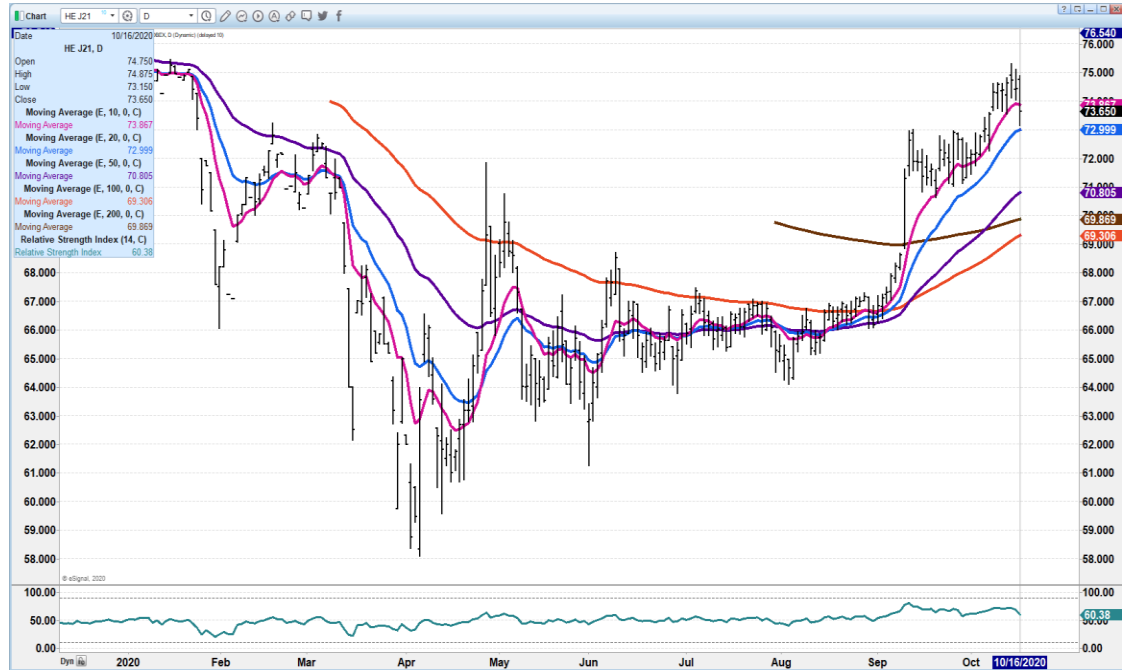




FEBRUARY 2021 LEAN HOGS – Resistance at 72.57 Support at 70.17



APRIL 2021 LEAN HOGS –



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