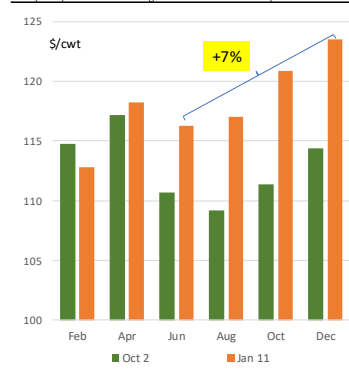


Rising feed costs, lower feedlot placements during the last three months, and a waning pandemic next summer have bolstered deferred fed cattle futures.

At the start of October 2020, fed cattle futures for the second half of 2021 (M,Q,V,Z) averaged \$111.4/cwt, about 1.4% higher than the pre-pandemic 2019 market for that period. Looking that far out, market was mostly trading historical spreads to spring and summer. Much has changed since then. Fed cattle futures for the second half of 2021 have gained 7% compared to where they were trading back in October. And market participants are growing increasingly concerned about inflation pressures in the coming months. The gains in the cattle complex are not isolated. If anything, they are lagging the broader commodity markets. We have seen double digit growth across a range of commodities, from grains to fiber to sugar to metals and energy. **The nearby corn futures market is currently trading some 70% above where it was back in August.** With higher feed costs, livestock futures need to adjust higher as well. In the near term feedlots likely are covered and nearby fed cattle prices are largely trading near term demand. Also, we think that the supply of cattle that had been on feedlots for 120 days or more on January 1 was about 9% higher than the previous year. Feedlots also have plenty of heavy cattle, as evidenced by the latest carcass weight data. The incentive is still to keep marketings going. But the feeders placed today and the fed cattle six months from now need to reflect the reality of higher prices for corn, soybean meal and other feedstuffs.

So far, it is unclear how much the increase in fed cattle prices reflects the rise in feed costs and how much of it is driven by expectations of better demand. **Our guess is that it is more of the former.** Usually market will look for evidence of a turnaround in demand before starting to price that in. Beef buyers are not waiting for that evidence, however. They are concerned about future inflation and they are trying to at least get a bit more meat around them. For the week ending January 15, USDA reported that packers sold some 565 loads of beef for delivery 90 days or more in the future. For the comparable week last year packers sold only about 204 loads and the five year average was 145. The choice beef cutout has been trending higher in the last few days, which is not surprising for this time of year. Higher chuck and round prices have helped bolster the cutout and fed cattle slaughter is about steady with a year ago. Packer margins have been excellent for quite some time and that trend continues. The chart to the right shows our calculations of gross margins (product revenue minus livestock cost). You can use your own assumptions on cost of processing cattle, etc to come up with a net margin. Given current parameters, it is understandable why futures want to build a premium going into the spring and summer. The only question is how big that premium needs to be given broader inflation trends and consumer pent up demand.

Change in Value of 2021 Live Cattle Futures
Analysis by Steiner Consulting. Futures Contracts Compared

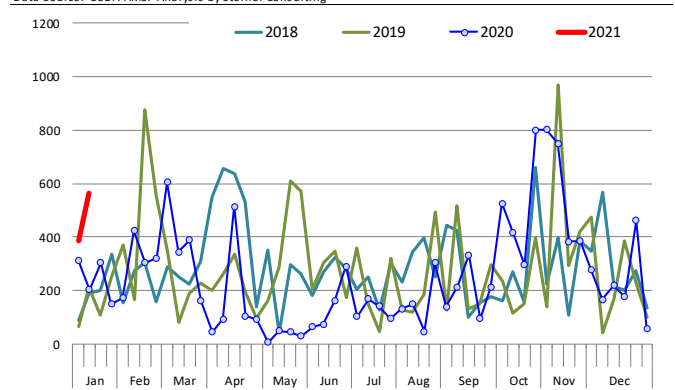


Nearby Corn Futures
Source: CBOT



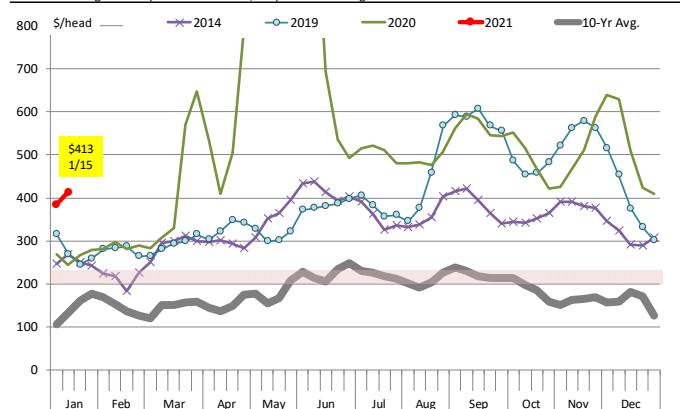
Beef Loads Sold For Delivery +91 Days

Data Source: USDA-AMS. Analysis by Steiner Consulting



BEEF PACKER CALCULATED GROSS MARGIN. \$/head

Calculated using the Comprehensive Cutout, Drop Credit and Negotiated Fed Cattle Prices



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PRODUCTION & WKLY AVG. PRICE SUMMARY

 Week Ending **1/16/2021**

 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	
		16-Jan-21	9-Jan-21		18-Jan-20				
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	2,050	1,911	7.24%	1,997	2.61%	7,709	-5.9%	
C	FI Slaughter	Thou. Head	651	651	0.00%	633	2.85%	1,369	-14.4%
	FI Cow Slaughter **	Thou. Head	109	89	22.60%	113	-4.16%	109	-4.2%
T	Avg. Dressed Weight	Lbs.	839	839	0.00%	827	1.45%	848	2.6%
T	Beef Production	Million Lbs.	544.8	544.9	-0.02%	522.5	4.27%	1,161	-12.2%
L	Live Fed Steer Price	\$ per cwt	109.52	111.27	-1.57%	124.03	-11.70%		
E	Dressed Fed Steer Price	\$ per cwt	173.06	175.79	-1.55%	199.04	-13.05%		
&	Oklahoma Steer (600-700 lbs)	\$ per cwt	147.64	143.27	3.05%	152.11	-2.94%		
	Choice Beef Cutout	\$ per cwt	210.82	206.73	1.98%	212.58	-0.83%		
	Hide/Offal	\$ per cwt, live wt	9.28	9.13	1.64%	9.19	0.98%		
B	Rib Primal, Choice	\$ per cwt	338.32	339.67	-0.40%	333.25	1.52%		
E	Round Primal, Choice	\$ per cwt	182.46	180.03	1.35%	181.03	0.79%		
E	Chuck Primal, Choice	\$ per cwt	189.31	182.98	3.46%	175.02	8.16%		
F	Trimnings, 50%	\$ per cwt	44.85	40.31	11.26%	71.50	-37.27%		
	Trimnings, 90%	\$ per cwt	216.00	213.17	1.33%	243.06	-11.13%		
H	FI Slaughter	Thou. Head	2,654	2,849	-6.84%	2,496	6.32%	5,829	-12.6%
	FI Sow Slaughter **	Thou. Head	44.7	43.4	2.96%	46.9	-4.80%	45	-4.8%
H	Avg. Dressed Weight	Lbs.	218.0	218.0	0.00%	216.0	0.93%	221	2.9%
O	Pork Production	Million Lbs.	579.6	621.4	-6.73%	538.7	7.59%	1,287	-10.1%
G	Iowa-S. Minn. Base	Wtd. Avg.	54.63	54.26	0.68%	51.23	6.64%		
S	Natl. Base Carcass Price	Wtd. Avg.	65.95	64.47	2.30%	62.16	6.10%		
	Natl. Net Carcass Price	Wtd. Avg.	67.37	65.70	2.54%	63.79	5.61%		
	Natl. Early Wean Feeder	Wtd. Avg.	55.60	51.58	7.79%	56.37	-1.37%		
	Pork Cutout	205 Lbs.	80.26	78.77	1.89%	74.82	7.27%		
	Ham Primal	\$ per cwt	76.64	67.62	13.34%	70.11	9.31%		
	Loin Primal	\$ per cwt	73.17	73.33	-0.22%	68.37	7.02%		
	Belly Primal	\$ per cwt	123.17	126.63	-2.73%	100.65	22.37%		
	Trimnings, 72%, Fresh	\$ per cwt	82.62	78.60	5.11%	72.20	14.43%		
	Hog By-Product Value	\$ per cwt, live wt	4.41	4.37	0.92%	3.57	23.53%		
C	Young Chicken Slaughter *	Million Head	169.8	137.8	23.15%	173.1	-1.95%	308	-3.8%
H	Avg. Weight (RTC)	Lbs.	4.83	4.86	-0.63%	4.76	1.60%	6.38	1.1%
I	Young Chicken Production (RTC)	Million Lbs.	820.5	670.5	22.38%	823.7	-0.39%	3	-7.8%
C	Eggs Set (19-state)	Million	236.7	236.5	0.10%	236.8	-0.05%	473	-0.5%
K	Chicks Placed (19-state)	Million Head	188.3	183.0	2.89%	189.7	-0.74%	371	-2.0%
E	National Composite Whole Bird	Composite	82.31	81.76	0.67%	90.96	-9.51%		
	Northeast Breast, B/S	\$/cwt	100.05	94.49	5.88%	90.65	10.37%		
	Northeast Leg Quarters	\$/cwt	28.13	28.74	-2.12%	38.57	-27.07%		
T	Total Turkey Slaughter *	Million Head	3,909	2,619	49.26%	4,144	-5.67%	2,839	-40.8%
U	Avg. Weight (RTC)	Lbs.	26.76	28.43	-5.87%	27.16	-1.48%	34.29	0.0%
R	Turkey Production (RTC)	Million Lbs.	104.6	74.5	40.49%	112.6	-7.07%	5,258	-3.3%
K	National Hen (8-12 lb)	8-16 Lbs.	108.10	104.00	3.94%	95.36	13.36%		
G	Corn, Omaha	\$ per Bushel	5.15	4.81	7.07%	3.72	38.44%		
R	Soybeans, Cntrl IL	\$ per Bushel	14.47	13.67	5.85%	9.29	55.76%		
A	Soybn Meal 48%, Cntrl IL	\$ per Bushel	462.40	429.70	7.61%	301.10	53.57%		
I	Distillers Grain, IL	\$ per Bushel	209.00	202.50	3.21%	162.50	28.62%		

* 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.

