

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

September 25, 2009

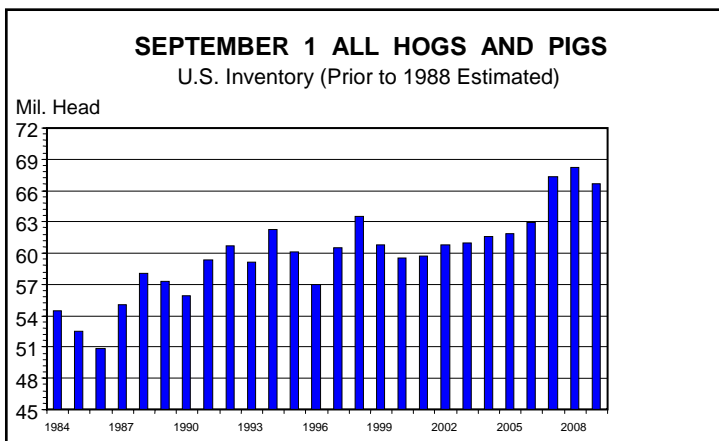
| Production                    |       |          | Prices                            |        |          |          |
|-------------------------------|-------|----------|-----------------------------------|--------|----------|----------|
| Week Ending 9/26/2009         | Last  | Year Ago | Weekly Weighted Avg.              | Last   | Week Ago | Year Ago |
| FI Cattle Slaughter (Thou Hd) | 649   | 660      | Live Steer                        | 83.51  | 83.57    | 97.81    |
| FI Hog Slaughter (Thou Hd)    | 2346  | 2346     | Dressed Steer                     | 129.58 | 129.68   | 151.54   |
| FI Sheep Slaughter (Thou Hd)  | 53    | 49       | Beef Cutout (Choice 600-900)      | 140.48 | 142.04   | 158.60   |
| Live Y. Chicken Sl. (Mil Hd)  | 163.5 | 165.9    | USDA Hide/Offal (\$/Cwt)          | 8.84   | 9.22     | 11.64    |
|                               |       |          | GA Auction Fdr. Str. (6-7 Cwt.)   | 85.72  | 86.23    | 91.26    |
| Slaughter Cattle Live Weight  | 1305  | 1305     | Iowa/S. Minn. Base Hog (Wtd. Avg) | 49.56  | 50.83    | 71.39    |
| Slaughter Hog Live Weight     | 270   | 267      | Natl. Net Hog Carcass (Wtd. Avg)  | 54.77  | 54.60    | 72.39    |
| Slaughter Lamb/Sheep Live Wt. | 134   | 132      | Feeder Pigs (40-50 Lbs)           | 28.80  | 29.17    | 33.50    |
| Beef Production (Mil Pounds)  | 513.1 | 522.2    | Pork Cutout                       | 55.42  | 56.91    | 75.01    |
| Pork Production (Mil Pounds)  | 471.4 | 467.3    | Lamb Cutout (\$/Cwt)              | 216.08 | 216.07   | 238.89   |
| Lamb, Mutton Prod. (Mil Lbs.) | 3.5   | 3.2      | Corn, Omaha (\$/Bu)               | 3.21   | 3.02     | 5.26     |
| Previous 6 Wk. Moving Avg.    |       |          | Wheat, Portland (\$/Bu)           | 4.38   | 4.44     | 6.38     |
| Total Beef (Mil Lbs)          | 504.7 | 516.4    | Wheat, Kansas City (\$/Bu)        | 4.17   | 4.20     | 6.96     |
| Total Pork (Mil Lbs)          | 448.6 | 443.7    | Soybeans, S. Iowa (\$/Bu)         | 9.41   | 9.49     | 11.19    |
| Total Lamb, Mutton (Mil Lbs)  | 3.1   | 3.1      |                                   |        |          |          |

*Source: Various USDA-AMS reports. Some data are preliminary.*

### Trends . . . QUARTERLY HOGS AND PIGS SHOWS CONTRACTION

According to the September 1 Quarterly Hogs and Pigs report, released on Friday, September 25<sup>th</sup> by USDA-NASS, the total number of hogs and pigs in the U.S. was 66.6 million head versus 68.2 million in 2008, a 2.3 percent year-to-year decline. It appears, hog producers have entered into contraction mode and producer intentions suggest further reductions in the breeding herd in the months ahead. However, gains in productivity (pigs per litter, slaughter weights) continue to offset some of the declines in sow numbers.

As of September 1<sup>st</sup>, the breeding herd was reported at 5.87 million head, which was down 3 percent from last year but only slightly below the 2007's. On a quarterly basis, hog producers reduced the breeding herd by 2 percent. Of note, recent sow slaughter data indicate that the breeding herd continued to shrink some during the month of September. In the June to August quarter, producers farrowed 3.5 percent less sows than a year earlier, but with another record number of pigs per litter (9.70), the pig crop was down only about 2 percent. According to the report, producers intend to farrow 3 percent less sows in the fall and winter quarters than a year ago, however that number may actually be lower as the market has not improved since the surveys were distributed.



Slaughter hog supplies are forecast to be below a year ago for the balance of 2009, as the number of market hogs at 60.75 million head was 2 percent or 1.4 million head less than 2008's. Of interest, the number of market hogs was larger than reported on June 1<sup>st</sup>, which may indicate that fewer gilts are in the breeding herd pipeline than normal. In addition, U.S. slaughter hog imports from Canada are expected to remain below a year earlier for the balance of 2009.

LMIC is forecasting that U.S. hog slaughter for 2009 will be down about 3 percent from last year, but still the second largest on record. For the year, pork production should be down about 1 to 2 percent as heavier hog weights this summer have offset some of the decline in hog numbers. Normally, tighter supplies would be supportive of hog prices, however domestic and foreign pork demand will remain sluggish. Thus for calendar year 2009, slaughter hog prices are forecast to be about 13 percent below 2008's. Current LMIC forecasts indicate year-to-year increases in slaughter barrow and gilt prices will not occur until the second quarter of 2010. Even with corn prices below a year ago, farrow-to-finish profits look to remain in the red well into 2010.

#### COLD STORAGE

On Wednesday, September 22<sup>nd</sup>, USDA-NASS released the monthly Cold Storage report, which reported ending stocks of red meat at the end of August were slightly larger than last year, the result of a larger supply of frozen pork items. However on a monthly basis, frozen stocks of red meat were down about 4 percent from the end of August. As expected, frozen supplies of poultry were below a year ago, while frozen turkey stocks seasonally increased. Overall, frozen stocks of meat and poultry, especially pork, were a little below expectations.

As of August 31<sup>st</sup>, frozen stocks of beef totaled 426 million pounds, down around 3 percent compared to the same time last year and the 2003-2007 average as well. Frozen supplies of bone-in beef cuts were nearly 20 percent smaller than last year, while boneless beef cuts were just a tad smaller than 2008's (less than a half percent). From the end of July to the end of August frozen stocks of beef declined about 4 percent.

Stocks for pork in cold storage at 518 million pounds were 3 percent larger than last year and 23 percent above the prior five-year average at the end of August. Faced with sluggish demand in the domestic and export markets, pork stocks have continued to build compared to a year earlier. On a per item basis, the largest year-to-year increase was in bellies (up 54 percent), followed by spareribs (up 19 percent), variety meats (up 12 percent), with trimmings up about 8 percent. Of note, total stocks of frozen ham were down 16

percent mostly due well below year ago stocks of bone-in hams, at the same time total loins were 19 percent smaller at the end of August versus last year, while bone-in butts and picnics were down 17 and 12 percent respectively.

According to the report, frozen chicken stocks were down 15 percent from the end of August last year at 642 million pounds and 6 percent smaller than the 2003-2007 average. On a monthly basis, chicken stocks declined by about 39 million pounds from July to August. Frozen stocks of turkey continue to be larger than a year ago, with stocks as of August 31<sup>st</sup> up 2 percent from 2008's, as product for processing further built-up as well as supplies of birds for the holiday season.

#### MONTHLY PRODUCTION NUMBERS

Year-to-year adjustments in red meat and poultry production provide important insight into the supply status of markets. Recently, USDA-NASS released two monthly slaughter reports. In August, U.S. pork production was above a year ago, while production of most other red meats and poultry significantly declined. Those production levels have influenced live animal prices.

In the red meat complex, U.S. commercial pork production in August at nearly 1.9 billion pounds was record large for the month and 4 percent above a year ago. Much of that year-to-year increase was due to carcass weights, that is, hog slaughter was up about 1 percent but weights increased nearly 3 percent (commercial live weight was up 7 pounds). In contrast to more pork being produced in the U.S., beef production posted a year-to-year decline in August. Even though cattle weights were above a year ago (commercial live weight up 9 pounds), beef production was 4 percent below a year earlier due to reduced head slaughtered. In August, lamb production was unchanged compared to 2008's and veal declined about 6 percent.

During August, U.S. poultry production (ready-to-cook basis) was just over 3 percent below a year ago. Within the poultry complex, percentage declines from 2008's were largest for turkey, as in August chicken production was down over 2 percent while turkey was down over 9 percent.