

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

October 23, 2009

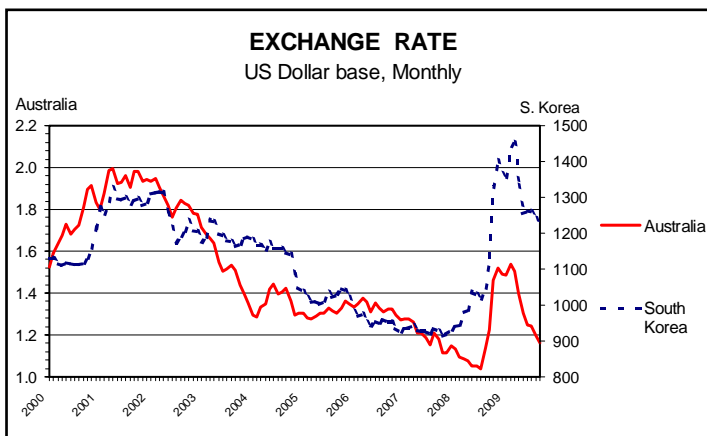
Production			Prices			
Week Ending 10/24/2009	Last	Year Ago	Weekly Weighted Avg.	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	646	647	Live Steer	84.59	82.66	89.77
FI Hog Slaughter (Thou Hd)	2323	2289	Dressed Steer	131.62	126.10	136.55
FI Sheep Slaughter (Thou Hd)	47	45	Beef Cutout (Choice 600-900)	137.68	135.29	143.96
Live Y. Chicken Sl. (Mil Hd)	160.4	161.9	USDA Hide/Offal (\$/Cwt)	8.14	8.03	10.28
			GA Auction Fdr. Str. (6-7 Cwt.)	82.75	82.22	84.25
Slaughter Cattle Live Weight	1317	1304	Iowa/S. Minn. Base Hog (Wtd. Avg)	51.94	49.34	59.12
Slaughter Hog Live Weight	271	270	Natl. Net Hog Carcass (Wtd. Avg)	54.76	53.28	64.67
Slaughter Lamb/Sheep Live Wt.	134	136	Feeder Pigs (40-50 Lbs)	34.84	34.84	36.22
Beef Production (Mil Pounds)	515.5	505.7	Pork Cutout	55.43	55.35	65.68
Pork Production (Mil Pounds)	469.3	461.2	Lamb Cutout (\$/Cwt)	210.52	212.57	233.39
Lamb, Mutton Prod. (Mil Lbs.)	3.2	3.1	Corn, Omaha (\$/Bu)	3.80	3.54	3.64
Previous 6 Wk. Moving Avg.			Wheat, Portland (\$/Bu)	5.01	4.66	NQ
Total Beef (Mil Lbs)	510.7	512.9	Wheat, Kansas City (\$/Bu)	4.88	4.49	4.96
Total Pork (Mil Lbs)	468.1	467.9	Soybeans, S. Iowa (\$/Bu)	10.03	9.77	8.26
Total Lamb, Mutton (Mil Lbs)	3.2	3.2				

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

### Trends . . . EXCHANGE RATES: A CHANGING PICTURE

U.S. meat and poultry exports have suffered this year as the financial crisis intensified and the value of the U.S. dollar relative to other currencies was not favorable to U.S. exports. But, in recent months the exchange rate picture has changed and economic conditions in the foreign markets have improved. As the slowdown in the global economy eases, the purchasing power of foreign buyers should recover and be supportive to U.S. meat and poultry exports. Of course, with a lower U.S. dollar items that the U.S. imports will increase in cost, such as oil.

The exchange rate of the U.S. dollar relative to other currencies (e.g. Australia, Canada, Mexico) posted a significant increase during the first quarter of this year but since then as declined to levels not seen since this time last year. The exchange rate between the U.S. Dollar and the Mexican Peso has adjusted the most this year as on average the rate is usually one dollar to 10 to 11 Pesos, however last fall the exchange rate jumped to one Dollar to 13 to 14 Peso range and has yet to return to normal levels. The latest weekly data (weekending October 23<sup>rd</sup>) showed the U.S. Dollar down about 3 percent to the Peso compared to the prior year and about one percent



lower than the prior week. The impacts of the recession and the exchange rate have had a notable impact on U.S. exports this year, however as the exchange rate returns to average levels, sales to Mexico should improve.

Earlier this year the U.S. Dollar strengthened some against the Canadian Dollar, but since has declined. That recent decline in the U.S. Dollar has been one factor limiting imports of feeder and slaughter animals from Canada. Currently the U.S. Dollar is about 16 percent lower than the same week in 2008. Additionally,

exchange rates were one factor behind the increase in beef imports from Australia earlier this year and as well as the decline in U.S. beef exports to South Korea.

#### BYPRODUCT VALUES DECLINE

The byproduct value is the total value of all non-meat items collected from an animal after processing such as the cheek meat, liver, and hide. Since the values of the non-meat items are an important factor in beef packer returns, these values influence live cattle prices throughout the year. The international market drives the byproduct value. Last summer, high oil and feedstuff prices drove byproduct values to record highs, however as the economy collapsed so did the prices for those items. Byproduct values did improve this summer in response to tighter cattle supplies and gains in the domestic and global economies; however, those gains were short lived as byproduct values have softened recently.

Last year, as reported by USDA-AMS, the steer byproduct value skyrocketed to record highs reaching a near \$12.00 per cwt. on a live steer basis in July 2008. Since then the byproduct value has generally declined, falling to a monthly low of \$5.90 per cwt. in March of this year. During the second and third quarters, the byproduct value modestly strengthened averaging over \$9.00 per cwt. in August and September. However, the byproduct value was still 22 percent or \$2.00 to \$3.00 per cwt. lower than the respective months last year. During the first nine months of 2009, the byproduct value averaged slightly over \$7.19 per cwt., about \$4.00 less than in 2008. In October, the byproduct value has continued to slip, falling to \$8.00 per cwt. by mid-October vs. over \$10.00 per cwt. for the corresponding week in 2008, with the monthly average estimated to be in the low \$8.00 per cwt. range.

The hide value (Heavy native) climbed from a low of \$23 per hide in May and June to over \$49 per hide in August, the highest monthly value posted since last fall. Although the hide value did soften into September, the hide still remained above the \$46 per hide level. Based on weekly data the hide has traded in the low \$40 per hide range this month but again, still much better than the values seen during the first half of 2009.

Hide values will improve once demand for leather products by U.S. and foreign consumers returns to pre-2009 levels.

#### HOLIDAY MEAT ITEMS

It's that time of year again when the weather gets a little colder and the leaves disappear from the trees, which means the holidays are quickly approaching. Along with the usual stresses that come with the holidays, many consumers are planning holiday menus, keeping an eye on retail advertisements this year. Family and holiday traditions often affect consumer decisions, however this year economic reasons will have significant influence as consumers mull over the many options including ham, turkey, beef rib roast and leg of lamb.

Pork production is forecast to be down a percent or so this year, as heavier average hog weights have compensated for larger decline in slaughter numbers. Although, export of U.S. pork exports have been below a year ago, exports of ham, particularly bone-in hams have been better than expected as cold storage stocks of bone-in hams were down 24 percent, while boneless stocks were 2 percent lower than 2008's at the end of September. Nonetheless, larger production forecast for this quarter should provide additional ham supplies for the holiday season. Wholesale ham prices have been favorable this year, down on average 30 percent from January through mid-October. Typically ham prices seasonally strengthen into the holiday season in response to demand, still retail prices are expected to be comparable to last year's.

U.S. turkey production through September is forecast to be down about 10 percent compared to last year, while frozen stocks of turkey at the end of September are down one percent with stocks of whole birds 8 percent higher than last year. However, the yearly increase is mostly due to seasonal build-up during the year, and with production levels well below last year, turkey supplies will not grow much this fall. Export as well as domestic demand has been sluggish this year, as wholesale whole bird turkey price have averaged well below a year ago, down 11 percent as of mid-October. Thus, some seasonal promotions for turkeys are expected this year.