Livestock Monitor

A Newsletter for Extension Staff
Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

March 8, 2002

Production

Week Ending 3/09/02	Current	Year Ago
FI Cattle Slaughter (Thou Hd)	637	644
FI Hog Slaughter (Thou Hd)	1827	1844
FI Sheep Slaughter (Thou Hd)	70	69
Live Y. Chick Slau. (Mil Hd)	154.9	147.8
Slaughter Cattle Weight	1258	1213
Slaughter Hog Weight	267	265
Slaughter Lamb, Sheep Wt.	139	142
Week Ending 3/09/02		
Beef Production (Mil Lbs)	485.4	464.9
Pork Production (Mil Lbs)	362.0	361.3
Lamb, Mutton Prod. (Mil Lbs)	4.8	4.9
Previous 6 Week Moving Avg.		
Total Beef (Mil Lbs)	498.9	464.9
Total Pork (Mil Lbs)	371.0	367.1
Total Lamb, Mutton (Mil Lbs)	4.0	4.2

Prices

Weekly Weighted Avg.	Last	Week Ago	Year Ago
Live Fed Steer	73.07	70.57	81.21
Dressed Steer	116.43	112.39	131.84
Beef Cutout (Choice 550-700)	119.11	117.52	133.50
USDA Hide/Offal ($/Cwt,)	7.44	7.22	8.81
GA Auction Fdr. Str. (6-7 Cwt)	82.25	79.00	86.63
IA, S. MN Dir. Hogs ($/Cwt, Carc.)	54.11	54.30	63.45
East. Cornbelt Lean Hog (195 Lbs)	NQ	NQ	63.11
Feeder Pigs (40-50 Lbs)	53.95	57.11	53.88
Pork Cutout (185 Lbs.)	58.39	58.41	69.56
Lamb Cutout (65 Lbs. & Dn.)	147.90	138.13	213.08
Corn, Omaha ($/Bu)	1.87	NQ	1.97
Wheat, Portland ($/Bu)	3.61	3.60	3.32
Wheat, Kansas City ($/Bu)	2.79	2.81	2.94
Soybeans, S. Iowa ($/Bu)	4.56	4.45	4.52

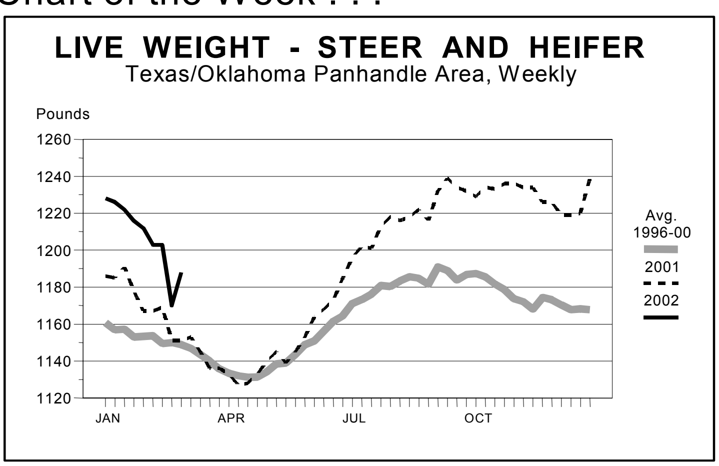
Trends . . . CATTLE WEIGHTS STILL HIGH, BUT MOVING LOWER

The key to when fed cattle prices will peak and how high they will go over the next several weeks may be cattle weights. If steer and heifer weights are pulled down rather quickly in the next few weeks by rather aggressive fed cattle sales, prices will likely continue to ratchet up. But if fed cattle sales are lackluster and weights are not pulled down, then cattle prices are near their peak now.

For the first quarter of 2002, U.S. cattle slaughter is expected to decline about 1 percent from 2001's. But, average Commercial slaughter weight for the quarter is expected to be more than 4 percent above 2001's. So, due to weights, U.S. Commercial beef production for the first quarter of this year will likely be more than 3 percent above a year ago.

Federally Inspected (FI) steer and heifer weights have been declining seasonally for about six weeks, but remain record large for this time of year. Another weekly data set, also reported by USDA, is the average live steer and heifer weight for the Texas/Oklahoma panhandle region; that data shows weights have been declining for about 10 weeks. In addition, the live weights reported for Texas/Oklahoma have declined more than the national FI weights. So, the picture on how quickly weights are adjusting is unclear based on the available weekly data.

Chart of the Week . . .



The key data to follow will be the actual weekly FI cattle weights (not the preliminary weights reported each Friday and summarized above). The question is, is that data emulating the Texas/Oklahoma weight trends? Also, keep an eye on whether the futures market is encouraging fed cattle sales (if the April futures contract retains a large premium to the June contract).

CHICKEN OUTLOOK

U.S. chicken production has been larger than anticipated in recent months. USDA's Poultry Slaughter report (released March 1) for January showed both chicken slaughter and average bird weight above a year ago. During January, young chicken (broiler) live slaughter was 3 percent above 2001's and mature chicken slaughter was up 13 percent. Broiler weights (live) averaged 2 percent above a year ago in January. So, on a ready-to-cook basis, USDA reported January's broiler production was 6 percent above a year ago.

Increased production and uncertainty in foreign markets has kept chicken prices mostly on the defensive. The 12-city wholesale broiler price has recently been about 6 percent below a year ago. In 2001, the U.S. shipped 19.8 percent of the broiler production to foreign markets. The largest buyer of U.S. chicken is Russia. Last year Russia accounted for 37 percent of U.S. broiler exports (6.2 billion pounds on a ready-to-cook basis). But, in recent weeks Russian leaders have been threatened to implement a ban U.S. poultry due to food safety issues. Some reports suggest the issue is being resolved, but other reports say the ban has been implemented and will last for at least two months. Further, there is a negative undercurrent to solving this issue due to new U.S. sanctions on imported steel and Russia is major exporter of steel to the U.S.

Forecasts for chicken production have been increased for the first and second quarter of 2001. But, mature chicken slaughter has increased pointing to the broiler industry reining in breeder hen numbers in response to prices and export uncertainty. So, year-to-year increases in chicken production may begin to moderate this spring. For the fist half of 2002, U.S. broiler production is expected to be 3 to 4 percent above 2001's.

FEEDLOT PERFORMANCE

Red ink continued to flow for fed cattle sold in February, but returns will transition into the black during March. According to Kansas State Extension's "Kansas Feedlot Performance and Feed Cost Summary", steers and heifers that were closed out in January had higher cost of gain than a year ago. Higher feedstuff cost was the major reason that cost of gain was above a year earlier.

In January, the average weight of a steer closed out in the Kansas feedlot performance report was 1268 pounds, 14 pounds heavier than a year earlier. On average, the steers spent 156 days in the feedlot. Steers gained an average 3.39 pounds per day, similar to a year ago. On a dry matter basis, steers sold in December required 6.0 pounds of feed per pound of gain. The average cost of gain for steers sold in January was $49.08 per cwt. Cost of gain was about 40 cents below December's, but was $2.64 per cwt. above January 2001's.

Kansas heifers closed out in January spent an average 159 days on-feed and weighed 1175 pounds when sold, 24 pounds above 2001's. The average daily gain for the heifer closeouts was 3.10 pounds per day. The average cost of gain for heifers was $51.12 per cwt. in January, slightly above December's (up 20 cents per cwt.) and $2.86 above a year earlier.

On a monthly average basis, estimated feedlot breakeven sale prices for slaughter steers to be sold in March are mostly $74 to $75 per cwt. Looking ahead, breakeven sale prices for steers sold in April through June will most likely be near $72 per cwt. That decline was due to lower feeder cattle prices. For the second quarter of 2002, the average fed cattle price is expected to be in the mid $70's per cwt., and the highest weekly prices (in the upper $70's) could be in April. So, after about 10 months of red ink, cattle sold in the next few months should post profits.