Livestock Monitor

A Newsletter for Extension Staff
Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . . April 11, 2003

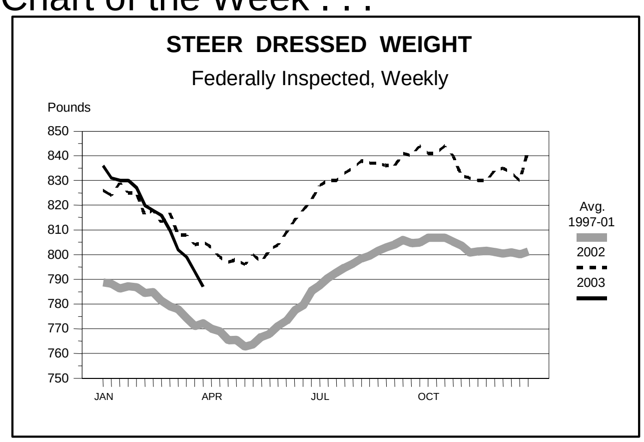
Production			Prices			
Week Ending 04/12/2003	Current	Year Ago	Weekly Weighted Avg.	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	646	644	Live Fed Steer	80.28	79.17	68.55
FI Hog Slaughter (Thou Hd)	1901	1919	Dressed Steer	129.93	128.73	109.67
FI Sheep Slaughter (Thou Hd)	73	58				
Live Y. Chick Slau. (Mil Hd)	156.3	152.5	Beef Cutout (Choice 600-750)	133.40	128.23	118.74
			USDA Hide/Offal ($/Cwt,)	8.17	8.21	7.25
Slaughter Cattle Weight	1227	1230	GA Auction Fdr. Str. (6-7 Cwt)	77.50	77.07	75.35
Slaughter Hog Weight	268	268				
Slaughter Lamb, Sheep Wt.	139	143	IA, S. MN Dir. Hogs ($/Cwt, Carc.)	50.86	48.71	42.51
			Natl. Net Carcass Price (Wtd. Avg.)	51.47	51.10	47.93
Week Ending 04/12/2003			Feeder Pigs (45 Lbs)	46.00	51.68	47.06
Beef Production (Mil Lbs)	475.6	479.5	Pork Cutout (185 Lbs.)	53.99	53.50	49.86
Pork Production (Mil Lbs)	378.1	380.9				
Lamb, Mutton Prod. (Mil Lbs)	5.1	4.1	Lamb Cutout	211.23	214.54	134.24
Previous 6 Week Moving Avg.			Corn, Omaha ($/Bu)	2.33	2.33	1.83
Total Beef (Mil Lbs)	475.1	476.3	Wheat, Portland ($/Bu)	3.41	3.35	3.26
Total Pork (Mil Lbs)	379.3	371.1	Wheat, Kansas City ($/Bu)	3.46	3.43	2.82
Total Lamb, Mutton (Mil Lbs)	3.9	4.9	Soybeans, S. Iowa ($/Bu)	5.99	5.91	4.60

Trends . . . DECLINING CATTLE WEIGHTS SUPPORT PRICES

Declining cattle weights have been supporting cattle prices. Dressed steer and heifer weights indicate that cattle feeders are very current in their marketings. In fact, in recent weeks, it appears some slaughter steers and heifers have been sold a little early. For the first quarter of 2003, average cattle weights were 1 percent below a year earlier. Year-to-year declines in cattle weights have increased and will likely persist for several more months.

Typically, when steer and heifer dressed weights post a large year-to-year decline at this time of year the cause was severe winter weather impacting animal performance. But, this year that was not the case. This year the major factor pulling weights down was the expectation for fed cattle prices to decline soon, which kept feedlot marketings aggressive. Futures markets continue to reflect expectations that fed cattle prices will decline sharply from recent levels.

Chart of the Week . . .



Nationally, steer and heifer dressed weights have declined more than seasonally in recent weeks. Beginning in March, U.S. steer dressed weights fell below a year earlier. Since January, heifer dressed weights have been below 2002's. Besides lower steer and heifer weights, U.S. average weights of all cattle have also been declining from a year ago due to a larger proportion of cows in the slaughter mix (cows weigh less than either steers or heifers).

Cattle weights have a rather stable seasonal pattern. Average cattle dressed weights are lowest in May. That same general pattern is expected to hold again in 2003. The other normal situation for cattle weights is that they are usually heavier than a year ago. But, cattle feeders may see market conditions for several more months that continue to encourage aggressive marketings and the number of dairy cows being slaughtered also will remain rather large. So, year-to-year increases in cattle weights may not begin again until sometime in the third quarter of this year.

CHOICE VERSUS SELECT

Market conditions such as the available supply of and market demand (domestic and foreign) for Choice and Select graded beef cuts is reflected in the Choice versus Select wholesale beef price spread. For years, wholesale and retail firms have closely monitored this price spread. In recent years, cattle feeders have developed more-and-more interest in this price spread because grid price discounts for Select grade often directly incorporate this spread. So, the recent increases in this price spread are of industry wide significance.

The Choice premium is seasonal in nature, posting a yearly low during the first quarter and then increasing dramatically into the early spring. This year, the weight profile of slaughter steers and heifers (see previous story) has influenced the seasonal pattern. That is, as a direct result of lighter steer and heifer dressed weights, the supply of Choice graded carcasses is tighter than normal compared to Select graded carcasses. This situation caused the price premium of wholesale Choice cuts not to decline as much as normal this winter and to begin to increase seasonally about 4 weeks earlier than normal.

The Choice boxed beef value (550-700 lbs) averaged $127.96 per cwt. in the first quarter of 2003, $11.02 (9.4 percent) higher than the corresponding quarter last year. In comparison, the Select cutout value averaged $121.98 per cwt. in the first quarter, 7.8 percent above 2002's. During the first quarter, the Choice versus Select premium averaged $5.98, compared to $3.59 in 2002 (a difference of $2.39).

The full impact of lower carcass weights on this price spread began to emerge in late March when, in just a few weeks, the premium increased about $5.00 per cwt. Throughout April and into May, this premium will likely continue to increase and could reach record levels. This summer, the Choice premium is expected to decline, but it will likely remain well above 2002's. Very wide Choice premiums could return again in the fourth quarter of the year.

CROP ACREAGE AND PRICES

As of early March, the USDA-NASS survey showed that farmers intended to plant about the same corn acreage as a year ago. Planting conditions in May will determine if farmers plant more or less corn acres than indicated. Acres in the Midwest usually switch from corn to soybeans as a result of delayed corn plantings. If corn plantings get off to an early start, there could be a modest increase in plantings compared to indications.

Even though the 2002 U.S. corn crop had yield problems that resulted in the smallest production since 1995, weak exports and carry-over stocks mitigated price increases. U.S. corn export projections for 2002-03 have been lowered several times and will likely be below 1.7 billion bushels for the first time since 1997-98. Even though estimated carry-over corn stocks will decline over 500 million bushels by the end of the current crop year, stocks will still be near 1 billion bushels.

Lower production and tightening stocks have increased corn prices. In recent weeks, corn prices have been 25 to 30 percent above a year ago. For this crop-year, the national average corn price received by farmers is projected to be about $2.30 per bushel, up 17 percent from a year ago and the highest since 1997-98. Over the next few weeks, corn prices will become more-and-more influenced by prospects for the new crop.

Forecasts put U.S. corn plantings for 2003 at about 79.1 million acres, unchanged to a little larger than a year ago. With normal growing conditions this summer, corn acres abandoned will decline significantly. In 2002, the U.S. harvested only 69.3 million acres of corn for grain; with normal conditions harvest will exceed 72 million acres in 2003. Normal weather will also increase the national average corn yield in 2003 compared to 2002's. Normal trends suggest a national average corn yield of nearly 140 bushels per acre, about 10 bushels per acre above 2002's.

So, with normal weather this spring, corn prices will begin to erode. Normal weather this summer suggests corn prices will be under further pressure. Even if, as expected, corn exports rebound some and corn use for ethanol keeps increasing, corn prices on average in 2003-04 may decline 10 cents per bushel or more compared to a year earlier.