

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

May 23, 2003

Production			Prices			
Week Ending 05/24/2003	Current	Year Ago	Weekly Weighted Avg.	Last	Week Ago	Year Ago
Fl Cattle Slaughter (Thou Hd)	763	705	Live Fed Steer	78.05	79.69	63.96
Fl Hog Slaughter (Thou Hd)	1807	1857	Dressed Steer	124.88	126.96	102.51
Fl Sheep Slaughter (Thou Hd)	49	58				
Live Y. Chick Slau. (Mil Hd)	155.5	158.5	Beef Cutout (Choice 600-750)	142.89	140.59	117.97
			USDA Hide/Offal (\$/Cwt.)	7.76	7.75	7.33
Slaughter Cattle Weight	1207	1227	GA Auction Fdr. Str. (6-7 Cwt)	76.75	76.44	71.42
Slaughter Hog Weight	268	266				
Slaughter Lamb, Sheep Wt.	136	143	IA, S. MN Dir. Hogs (\$/Cwt, Carc.)	64.40	63.38	51.83
			Natl. Net Carcass Price (Wtd. Avg.)	63.05	60.44	52.85
Week Ending 05/24/2003			Feeder Pigs (45 Lbs)	44.50	47.56	33.69
Beef Production (Mil Lbs)	554.2	525.1	Pork Cutout (185 Lbs.)	62.49	61.86	51.96
Pork Production (Mil Lbs)	360.3	366.9				
Lamb, Mutton Prod. (Mil Lbs)	3.3	4.1	Lamb Cutout	207.76	204.23	127.84
Previous 6 Week Moving Avg.			Corn, Omaha (\$/Bu)	2.32	2.42	1.88
Total Beef (Mil Lbs)	491.3	512.4	Wheat, Portland (\$/Bu)	3.47	3.51	3.46
Total Pork (Mil Lbs)	371.0	374.1	Wheat, Kansas City (\$/Bu)	3.59	3.82	2.81
Total Lamb, Mutton (Mil Lbs)	4.1	4.2	Soybeans, S. Iowa (\$/Bu)	6.19	6.31	4.97

### Trends . . . PRICES IMPACTED BY DISCOVERY OF BSE IN CANADA

The discovery of one beef cow with BSE in Alberta Canada on Tuesday, May 20, 2003 depressed wholesale beef and cattle prices in Canada, and bolstered U.S. prices as the week progressed. Although initial concerns focused on consumer response to the situation in Canada, consumer demand for beef in both the U.S. and Canada were, at least in the short-term, not impacted. Prices quickly began to reflect the short-term supply fundamentals of the U.S. and several other key countries immediately stopping the flow of Canadian beef and cattle.

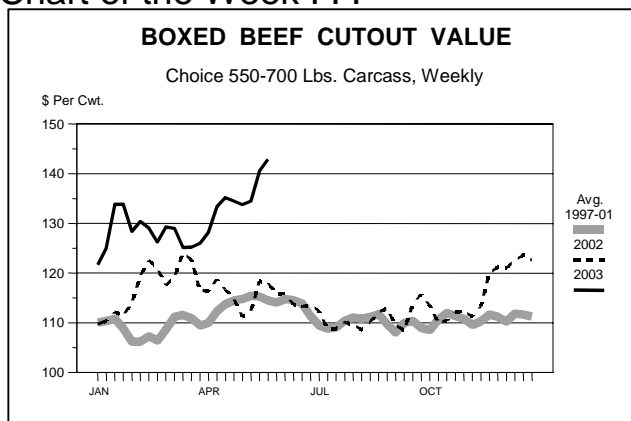
In the U.S. market three key short-term beef supply factors immediately went to zero: 1) imports of Canadian beef, 2) imports of Canadian slaughter steers and heifers, and 3) imports of Canadian cull cows and bulls. That reduced the short-term supply of beef available in the U.S. market by an estimated 5 to 7 percent.

The impact in Canada was immediate, for the first time on-record CanFax stated that no weekly

Alberta average fed cattle price could be reported (no packer bids and no feedlot sales). Only very limited feeder cattle sales were made as many auctions were closed due to the BSE situation; CanFax reported the few sales in central Alberta (the hardest hit region) were C\$5.00 to C\$25.00 per cwt. below the prior week.

U.S. price increases were led by wholesale beef prices. Boxed beef cutout values increased to new record highs. Late in the week packers began to search for cattle supplies in an already tight market. Until normal trade flows resume, wholesale beef and cattle prices are expected to average nearly 10 percent above forecasts made prior to the BSE situation in Canada.

### Chart of the Week . . .



## CATTLE AND BEEF TRADE

Imports and exports can have significant impacts on U.S. beef and live animal prices. Several trends are apparent from the data on U.S. imports and exports for the first quarter of 2003. Of course, Canada is a major source of imports.

On a tonnage basis, during the first quarter of 2003, U.S. beef imports were 10 percent above a year ago. U.S. imports from the four major foreign suppliers of beef to the U.S. were all above a year earlier – U.S. beef import tonnage increased 1, 36, 7 and 4 percent from Australia, New Zealand, Canada and Brazil, respectively. Typically, Australia is the major beef exporter to the U.S. on a tonnage basis; for the first time since 2000, first quarter U.S. beef imports from Canada exceeded that of Australia.

U.S. beef tonnage exported for the first quarter of 2003 was 2 percent above 2002's. Year-to-year increases in U.S. beef exports were posted for Japan (up 21 percent) and Canada (up 5 percent). In 2002, U.S. beef shipments to Mexico and South Korea surged. However, 2003 shipments to those two countries have faltered, declining from a year ago during the first quarter of 2003 by 10 percent and 13 percent for Mexico and South Korea, respectively.

Cattle imports by the U.S. were below a year ago for the first quarter of 2003. For the quarter, the U.S. imported about 630,000 head, down 20 percent from a year earlier. The two major countries that ship cattle to the U.S. are Canada and Mexico. For January-March of this year, U.S. imports from Canada and Mexico declined from 2002's by 13 and 27 percent, respectively.

For calendar year 2003, forecasts put U.S. beef imports similar to a year ago. Beef imports from Australia are expected to be mostly below 2002's for the balance of the year as the lingering impacts of drought in that country reduce their shipments. U.S. beef exports also are forecast to be similar to 2002's. For the next several months, U.S. beef sales to Japan are expected to continue to rebound from the depressed levels that began in late 2001, soon after BSE was discovered in that country. But, shipments to Mexico and South Korea may remain weak due to rather high beef prices in the U.S.

## CATTLE ON FEED

Cattle on-feed reports from USDA-NASS and Canada were overshadowed by the discovery of BSE in Canada. USDA's report was released

Friday May 16<sup>th</sup>. The next week, Canadian data were released. The reports could best be summarized as having some mixed indications. Both reports had larger than anticipated placements during April. As of May 1, on-feed inventories remained well below a year ago in both countries with the U.S. down 4 percent and Canada down 31 percent. Placement data raised concerns about the number and weights of cattle that will be available for slaughter late in the summer quarter and early in fourth quarter of 2003. Still, the overall on-feed inventory looks manageable and aggressive marketings continued to bolster short-term price prospects.

During April, USDA reported that cattle feeder's marketed 2 million head, one percent lower than 2002's. In Canada, marketings were reported at about 222,000 head (note that only the provinces of Alberta and Saskatchewan are included in their monthly cattle on-feed data). Still, as has been the case in recent months, calculated marketing rates (marketings as percentages of on-feed inventory numbers) were better than last year's. Aggressive marketing rates have kept fed cattle weights well below a year ago.

Placements of cattle into U.S. feedlots during April totaled nearly 1.9 million head, which was 29 percent above 2002's and 21 percent above 2001's. Every major cattle feeding state, except Idaho and Washington, reported placements for April above a year earlier. Placements were well above a year ago for all USDA reported weight categories. The largest year-to-year increase in April placements was in the heavy weight category (800-pound and heavier), which was up 161,000 head (34 percent).

Placements of cattle into western Canadian feedlots also were well above a year ago. At over 182,000 head, placements of cattle on-feed during April were 37 percent larger than 2002's and the largest for the month since 2000.

The next set of Cattle on Feed reports from the U.S. and Canada will be closely monitored. Fed cattle marketings had remained rather aggressive in both countries until the third week of May, then the BSE situation bolstered U.S. marketings and nearly collapsed Canadian marketings. Placements of heavy weight cattle into feedlots likely remained rather large into May, but better pasture and range conditions compared to a year ago may have begun to moderate overall placement numbers as the month progressed.