

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

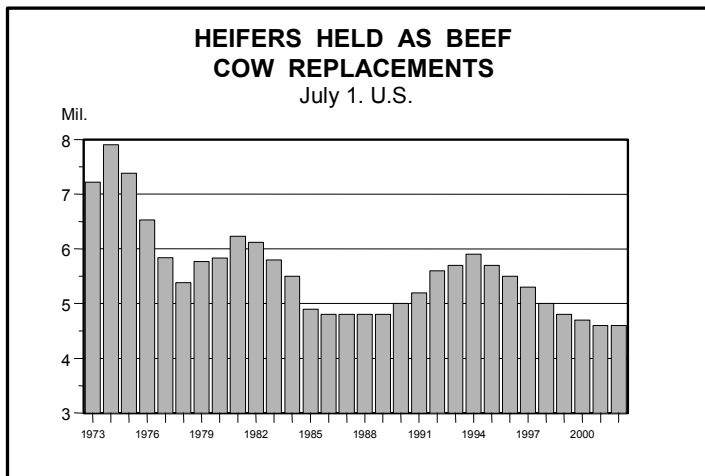
July 26, 2002

Production			Prices			
Week Ending 7/27/2002	Current	Year Ago	Weekly Weighted Avg.	Last	Week Ago	Year Ago
Fl Cattle Slaughter (Thou Hd)	696	665	Live Fed Steer	62.84	63.46	71.55
Fl Hog Slaughter (Thou Hd)	1811	1735	Dressed Steer	98.97	99.71	116.23
Fl Sheep Slaughter (Thou Hd)	55	50				
Live Y. Chick Slau. (Mil Hd)	160.0	158.5				
Slaughter Cattle Weight	1248	1222	Beef Cutout (Choice 550-700)	110.09	108.78	122.05
Slaughter Hog Weight	261	260	USDA Hide/Offal (\$/Cwt.)	7.51	7.30	8.20
Slaughter Lamb, Sheep Wt.	129	139	GA Auction Fdr. Str. (6-7 Cwt)	72.00	71.50	82.88
			IA, S. MN Dir. Hogs (\$/Cwt, Carc.)	56.42	56.44	70.56
Week Ending 7/27/2002			East. Cornbelt Lean Hog (195 Lbs)	NQ	NQ	NQ
Beef Production (Mil Lbs)	530.5	496.0	Feeder Pigs (40-50 Lbs)	24.28	23.38	49.06
Pork Production (Mil Lbs)	350.1	333.4	Pork Cutout (185 Lbs.)	59.17	59.67	74.52
Lamb, Mutton Prod. (Mil Lbs)	3.6	3.5	Lamb Cutout (65 Lbs. & Dn.)	165.57	159.65	NQ
Previous 6 Week Moving Avg.			Corn, Omaha (\$/Bu)	2.23	2.15	1.89
Total Beef (Mil Lbs)	539.8	506.6	Wheat, Portland (\$/Bu)	3.82	3.75	3.56
Total Pork (Mil Lbs)	345.0	326.4	Wheat, Kansas City (\$/Bu)	3.78	3.71	3.02
Total Lamb, Mutton (Mil Lbs)	3.4	3.9	Soybeans, S. Iowa (\$/Bu)	5.51	5.80	5.09

Trends . . . CATTLE NUMBERS AND PRICE OUTLOOK

As expected, modest reductions in the number of U.S. cattle and calves continued during the last 12 months. As of July 1, USDA estimated that all cattle and calves totaled just over 105 million head, 1 percent below a year ago. The USDA also reported that the number of cattle in feedlots as of July 1 declined 5 percent from 2001's. So, the cattle industry should look for prices to be supported by lower animal numbers. But, as occurred in the fourth quarter of 2001 and again in recent months, other factors can more than compensate for a cyclically lower cattle inventories. Those factors include the weights of animals being slaughtered, production of competing meats and poultry, foreign markets, and domestic consumer confidence and spending.

Chart of the Week . . .



Fed cattle prices are expected to begin to increase modestly in August and September. But prices will average below a year ago for the summer quarter due mostly to a year-to-year increase in beef production of 3 to 4 percent. For the summer quarter of 2001, slaughter steers averaged \$69.72 per cwt. in the Southern Plains. U.S. beef production this fall quarter is expected to decline some from 2001's. A major uncertainty for cattle prices this fall is how much pork and poultry will be in the domestic market. Current forecasts put fed cattle prices in the lower \$70's this fall, up 9 to 12 percent from a year ago.

Three factors will dominate calf and yearling prices for the balance of this year: feedstuff prices, fed cattle prices, and forage conditions. So far this year, calf and yearling prices have been below a year earlier. Without further major shocks, calf and yearling prices will likely close the gap compared to a year ago as the fourth quarter progresses. And could post modest year-to-year increases in late 2002.

Looking ahead to 2003, the January 1 cattle numbers from USDA will most likely show an additional decline in the U.S. cowherd. Questions for the cattle complex will be the same as in the last two years: 1) when will cow-calf operations begin to hold-back more heifers for breeding purposes; 2) what will mother nature bring in terms of forage and crop conditions; and 3) what other domestic or international factors might impact the beef industry. From a cyclical supply perspective, signs point to higher cattle prices in 2003 compared to this year's.

SHEEP AND LAMBS

USDA's mid-year sheep and lamb survey (released July 19th) showed that the number of sheep and lambs continued to decline. As of July 1, USDA estimated that there were 8.1 million sheep and lambs in the U.S., 2 percent below a year ago. Over the last 12 months, the rate of decline in U.S. sheep and lamb numbers was similar to what occurred during the 12-month period ending July 1, 2001. USDA estimated that the 2002 U.S. lamb crop will be down about 4 percent from 2001's.

Nationally, as of July 1, the number of breeding sheep and market lambs both posted year-to-year declines of 2 percent. Regionally, only the far western states (Region 1 as reported by USDA which is Arizona, California, Idaho, Nevada, Oregon and Washington) did not have year-to-year decline in breeding sheep numbers. The number of replacement lambs being held back by producers indicates that the U.S. breeding flock will likely continue to decline during the second half of 2002.

The lamb industry is not suffering from a backlog of over finished animals as they did a year ago. And forced sales of lightweight lambs in drought-impacted states have further

moderated slaughter lamb weights. Year-to-year declines in lamb slaughter and lamb weights are expected for the balance of 2002. Last year, lamb prices collapsed in the early summer and continued to erode in the fall. This year, higher prices began to materialize in the spring and will likely peak this summer more than 30 percent above a year ago.

A smaller U.S. lamb crop is likely again in 2003. Year-to-year declines in U.S. lamb production will likely support even more strength in slaughter lamb prices next year. How much slaughter lamb prices increase will depend on several factors, including: 1) whether or not feeders begin again to delay marketing rates and create burdensome supplies of over finished lambs; 2) how much imports of lamb meat increase; and 3) supplies of other meats and poultry.

COLD STORAGE

Frozen stocks of meat and poultry remain large. According to USDA, stocks of red meat declined from the record level posted in April of about 1 billion pounds to about 900 million pounds at the end of June. As of June 30th, red meat frozen stocks were at the lowest level reported so far this year. In contrast to red meat, as of June 30th of this year, poultry frozen stocks exceeded 1.5 billion pounds for the first time on record.

Frozen beef stocks in U.S. warehouses have declined since January of this year and as of June 30th were about 55 million pounds above 2001's. Frozen pork stocks have been declining since the end of April, but remain 116 million pounds more than a year ago.

As of July 30th, U.S. frozen chicken in storage totaled 855 million pounds, about 165 million pounds more than a year ago. Normally, U.S. turkey stocks build-up between January and peak before the end of October. So far this year, turkey stocks have grown at a faster pace than a year ago. It appears that U.S. turkey availability for holidays this fall will be relatively abundant and prices rather attractive to consumers even if, as expected, production begins to decline compared to a year ago this fall.