

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

August 9, 2002

Production			Prices			
Week Ending 8/10/2002	Current	Year Ago	Weekly Weighted Avg.	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	703	678	Live Fed Steer	61.94	62.67	69.10
FI Hog Slaughter (Thou Hd)	1801	1728	Dressed Steer	98.77	99.39	109.93
FI Sheep Slaughter (Thou Hd)	57	54				
Live Y. Chick Slau. (Mil Hd)	157.7	157.0				
Slaughter Cattle Weight	1253	1228	Beef Cutout (Choice 550-700)	108.56	109.54	119.59
Slaughter Hog Weight	261	257	USDA Hide/Offal (\$/Cwt.)	7.55	7.57	8.05
Slaughter Lamb, Sheep Wt.	126	137	GA Auction Fdr. Str. (6-7 Cwt)	70.75	72.00	81.82
			IA, S. MN Dir. Hogs (\$/Cwt, Carc.)	50.92	55.79	72.54
Week Ending 8/10/2002			East. Cornbelt Lean Hog (195 Lbs)	NQ	NQ	NQ
Beef Production (Mil Lbs)	537.8	508.5	Feeder Pigs (40-50 Lbs)	26.97	26.27	47.24
Pork Production (Mil Lbs)	348.3	330.1	Pork Cutout (185 Lbs.)	54.13	57.18	77.05
Lamb, Mutton Prod. (Mil Lbs)	3.6	3.7	Lamb Cutout (65 Lbs. & Dn.)	166.95	163.92	NQ
Previous 6 Week Moving Avg.			Corn, Omaha (\$/Bu)	2.37	2.36	1.92
Total Beef (Mil Lbs)	537.1	500.5	Wheat, Portland (\$/Bu)	4.02	3.91	3.57
Total Pork (Mil Lbs)	340.3	324.8	Wheat, Kansas City (\$/Bu)	4.02	3.96	2.86
Total Lamb, Mutton (Mil Lbs)	3.4	3.8	Soybeans, S. Iowa (\$/Bu)	5.56	5.61	5.19

### Trends . . . CORN PRICES AND CATTLE MARKETS

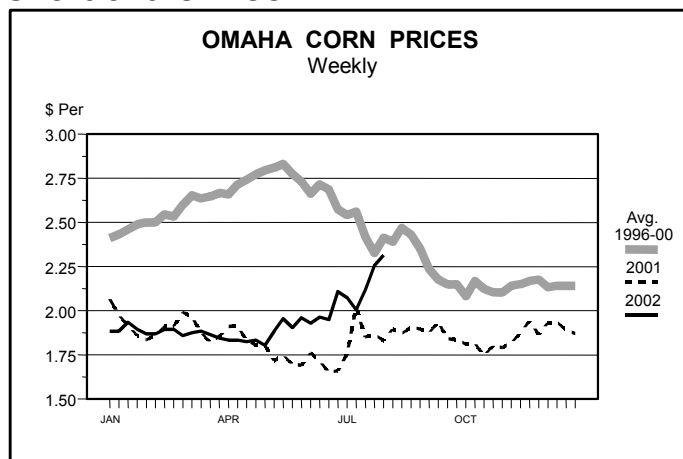
Deteriorating U.S. crop conditions have decreased expected corn yields and some additional acres of dryland corn production may be abandoned rather than harvested. Although corn carry-over stocks are not yet projected to be at critically low levels in 2003, corn prices have increased abruptly and are now over 30 percent above a year ago. Higher corn prices will pressure calf and yearling prices. Higher feedstuff prices also tend to dampen slaughter cattle weights, but also will encourage placing heavier weight feeder cattle.

The historical relationship between corn prices and calf and yearling prices is rather strong. For example, if corn increases about 10 cents per bushel from a year ago, then calf prices (500- to 600-pound) tend to decline by about \$1.00 per cwt. So, if corn averages about 40 cents per

bushel above last year's, then we would expect calf prices to decline by \$3 to \$5 per cwt. Yearling cattle prices also decline with corn price increases, but the decline is less per cwt. than for calf prices. Typically, a year-to-year increase in corn prices by 10 cents per bushel reduces 700-to 800-pound feeder steer price by 40 to 60 cents per cwt.

Of course, other factors besides corn prices impact cattle feeders when purchasing calves and yearlings. A very important factor that could help compensate for a modest increase in corn prices would be higher slaughter cattle prices. But feeder cattle prices this fall will

### Chart of the Week . . .



likely be below 2001's, even with fed cattle prices 10 percent above a year earlier.

An often-discussed impact of higher corn prices is the interaction with slaughter cattle weight. There is an inverse relationship between corn price and slaughter steer weight. But, that relationship can be muted as placements eventually shift to heavier weight cattle. Still, heavy weights have bolstered U.S. beef production this year and moderation will help support fed cattle prices.

## DROUGHT & COW SLAUGHTER

Drought continues to cause havoc on pasture and range conditions in the western and central regions of the U.S., resulting in limited feed supplies and increasing hay costs for cow-calf producers. Historically, given these conditions, the number of beef cows slaughtered often exceeds a year earlier. However, so far this year, it appears that many beef cows in the drought-ridden areas are not being sent to slaughter but actually being shipped to regions of the U.S., where pasture conditions are better and feedstuffs are in greater quantity.

During the first two quarters of this year, Federally Inspected (FI) cow slaughter was down 4% compared to the same period last year. FI beef cow slaughter was 3% below 2001's during the first two quarters of this year. Beef cow slaughter did increase slightly from a year ago during June. But, for July the year-to-year increase in cow slaughter was mostly the result of increased dairy cow slaughter, not more beef cow slaughter.

In recent weeks, cull beef cow prices in many markets have been 10 to 20 percent below a year ago. That decline has mostly been due to lower meat prices and a modest increase in dairy cow slaughter. The slaughter cow market could see an increase in production compared to a year ago if, as expected, dairy cow slaughter remains above a year earlier. In addition, drought conditions could still push more beef cows into the slaughter mix later this year. Fed cattle prices are expected to strengthen this fall, but cull cow prices will most likely follow normal seasonal patterns and decline well into the fall quarter.

## HOG PRICE OUTLOOK

Slaughter barrow and gilt prices will soon begin the normal seasonal decline. Typically, hog prices are lowest in the fourth quarter of the calendar year, which is the quarter when pork production is largest. How low hog prices go this fall will depend on several factors, including: 1) weekly U.S. slaughter levels; 2) hog weights; 3) pork exports; and competing meat supplies.

As of mid August, barrow and gilt prices in Iowa and Southern Minnesota, on a carcass basis and adjusted up from base prices to reflect average premiums received, were \$55 to \$56 per cwt. That was 23 to 24 percent below a year ago. For the third quarter of 2002 (July through September), barrow and gilt prices should average 25 to 30 percent below a year ago, the lowest for the quarter since 1999.

Current forecasts based on USDA's latest quarterly Hogs and Pigs report, recent slaughter levels, etc., put U.S. hog slaughter a little below the disastrous levels of late 1998. For the fourth quarter, current estimates are for hog slaughter to be 27.1 to 27.3 million head, only about 400,000 head below 1998's. So, a repeat of 1998 could happen.

Even without a repeat of 1998, producers will likely be more than disappointed with hog prices this fall. U.S. pork production this fall is forecast to be about 3 percent above 2001's and record large for the quarter. That level of production suggests hog prices in the upper \$30's to low \$40's per cwt. (carcass basis) for the quarter, the lowest quarterly average since the \$36.58 posted in the first quarter of 1999.

Looking ahead, 2003 may bring better times for hog producers. Over the last four weeks, Federally Inspected sow slaughter has averaged about 13 percent above a year ago. If that trend continues, then 2003 should bring modest increases in pork production compared to the 5 percent plus posted on average during recent months. A continuation of recent trends in sow slaughter could bring significant year-to-year declines in pork production and also higher prices beginning in the second quarter of 2003.