

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

September 10, 2004

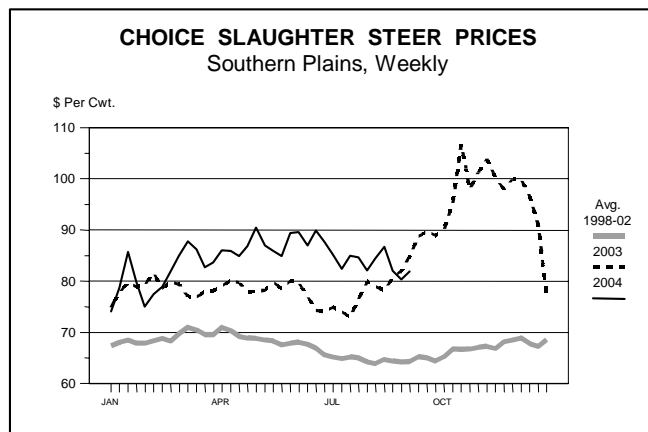
Production			Prices			
Week Ending 09/18/04	Current	Year Ago	Weekly Weighted Avg. (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	638	735	Live Fed Steer	84.32	81.50	89.82
FI Hog Slaughter (Thou Hd)	2093	1971	Dressed Steer	132.61	127.82	144.20
FI Sheep Slaughter (Thou Hd)	57	57	Beef Cutout (Choice 600-750)	133.96	130.81	161.87
Live Yng. Chicken Sla. (Mil Hd)	149.6	158.5	USDA Hide/Offal (\$/Cwt)	8.22	8.29	8.92
Slaughter Cattle Weight	1263	1229	GA Auction Fdr. Str. (6-7 Cwt)	104.50	103.88	87.69
Slaughter Hog Weight	263	265	IA, S. MN Base Hog (\$/Cwt)	74.59	70.23	58.44
Slaughter Lamb/Sheep Weight	131	134	Natl. Net Carcass Hog (\$/Cwt)	71.45	70.37	59.87
Week Ending 09/18/04			Feeder Pigs (40-50 Lbs)	41.00	39.00	21.00
Beef Production (Mil Lbs)	511.3	543.4	Pork Cutout (185 Lbs)	73.69	71.44	67.99
Pork Production (Mil Lbs)	409.8	385.3	Lamb Cutout (\$/Cwt)	187.06	185.64	187.31
Lamb/Mutton Prod. (Mil Lbs)	3.8	3.8	Corn, Omaha (\$/Bu)	2.03	2.16	2.12
Previous 6 Week Moving Avg.			Wheat, Portland (\$/Bu)	3.98	3.95	3.74
Total Beef (Mil Lbs)	485.7	534.8	Wheat, Kansas City (\$/Bu)	3.55	3.51	3.50
Total Pork (Mil Lbs)	382.5	364.5	Soybeans, S. Iowa (\$/Bu)	5.34	5.60	6.27
Total Lamb/Mutton (Mil Lbs)	3.3	3.6				

### Trends . . . FED CATTLE SITUATION AND PRICE OUTLOOK

Many factors are influencing fed cattle prices. What is most clear is that this Fall quarter will not be a repeat of 2003. In late 2003, slaughter steer prices skyrocketed to new all time highs. This Fall, fed cattle prices are expected to struggle to get any higher. But, calf and yearling prices may be under some modest pressure that may build as the quarter progresses.

Cattle slaughter has been small in recent months, but cattle weights have been increasing dramatically. Imports of beef by the U.S. have been much larger than forecast, especially in June and July. Supplies of competing meats and poultry in the domestic market are large and are likely building up. U.S. consumer beef demand appears to remain strong and may still be posting year-to-year increases, but those increases are likely to be well below the gains posted in recent quarters. Cyclically, U.S. cattle numbers are near the low points of this cattle cycle and may not build-up very fast. Of course, there are many unknowns about how and when markets will return

### Chart of the Week . . .



to more normal international trade patterns for beef exports and U.S. cattle imports from Canada.

For the third quarter of 2004, fed cattle prices are projected to average about 3 percent above a year ago. Even larger year-to-year gains were posted for yearlings and calves. During the third quarter of 2004, in the Southern Plains 700-to 800-pound steers and 500-to 600-pound steer calves posted gains of 20 percent compared to 2003's.

Forecasts for the fourth quarter of 2004 are for fed cattle prices to average 9 to 10 percent below 2003's record high. Still, that means slaughter steer prices will

likely average in the \$85 to \$87 per cwt. range. For the last quarter of 2004, yearling steers (700-to 800-pounds) are expected to average in the \$107 to \$110 per cwt. range in the Southern Plains, or \$6.00 to \$10.00 per cwt. below the record quarterly average recorded in the third quarter of 2003. In turn, calf prices this fall will likely be seasonally lower from the Summer quarter levels for most areas of the U.S. Still, steer calves (500-to 600-pounds) in the Southern Plains may average near \$115.00 per cwt. this Fall, the highest fourth quarter average on record.

Looking ahead to 2005, cattle prices are forecast to post year-to-year increases for the first half of the year. However, prices will likely remain below the lofty levels of this past summer. Still, by historical standards cattle prices will be strong. For the year, fed cattle prices in 2005 may average about 4 percent above 2004's. Yearling cattle may decline some from 2004's price levels, but calf prices for the calendar year might decline only very modestly and remain well over \$100.00 per cwt. for 500-to 600-pound steer calves. Those price levels should support some of the highest breeding stock prices ever in 2005, assuming normal forage production and feed grain prices.

#### CATTLE WEIGHTS CONTINUE UP

Slaughter cattle weights have continued to surge in recent weeks. Those weights are due to low feedlot marketing rates. For the fourth quarter of 2004, cattle slaughter is forecast to decline at least 2 percent from 2003's, but increased average dressed weights could easily pull beef production up 1 to 2 percent compared to a year ago.

Two factors are supporting heavy average slaughter cattle weights. First, steer and heifer weights are well above a year ago. Second, there are fewer cows in the slaughter mix (slaughter cows weigh much less than steers or heifers).

A good indication of steer and heifer live weights is from USDA's Agricultural Marketing Service reports from the Texas and Oklahoma region. For the latest weekly data, that region reported average slaughter steer and heifer live weights at 1247 pounds. That was up over 20 pounds during the last five weeks, 27

pounds above a year ago, and was the heaviest since October 2002.

#### CANADIAN ON-FEED NUMBERS

Monthly Canadian cattle on-feed numbers were released on Friday (September 10<sup>th</sup>). Those numbers are a little difficult to interpret. But, in Canada, the pool of feeder cattle outside feedlots remains large.

The monthly Canadian Cattle on Feed covers only two Provinces, Alberta and Saskatchewan. But, these two provinces are major commercial feeding areas. As of September 1, the on-feed inventory was reported at 2 percent above a year ago. That was about as expected and on a percentage basis was a larger year-to-year increase than as of August 1 (down 3 percent). But, the surprises were in placements of cattle into commercial feedlots and in their marketings, both of which were reported as well below a year ago.

In August, placements were reported at 33 percent below a year ago. Some of that decline was likely due to improved pasture conditions compared to a year earlier. However, the year-to-year declines were in the two heavyweight categories (700-799 pounds and 800 pounds and heavier). Given the large supply of summer grazed yearlings that must be in Canada and that placements in heavy weight categories were small last year, the reported year-to-year decline seems large.

Marketings for August were reported as 38 percent below a year ago. Compared to cattle slaughter, those numbers look under reported by a large margin.

A huge pool of feeder cattle has built-up in Canada. Expectations in both the U.S. and Canada seem to be that the disruptions in Canadian steer and heifer flows into the U.S. will move to a more normal status in the first quarter of 2005, if no more BSE cows are discovered. LMIC forecasts assume that the U.S. will not allow cull cows into the U.S. market for some time. In 2005, only Canadian calves and yearlings destined for feedlots will likely be allowed into the U.S. To facilitate tracking, U.S. rules will likely require that any Canadian feeder cattle entering the U.S. go directly to a feedlot and conform to specialized paperwork and other requirements.