

# Livestock Monitor

## A Newsletter for Extension Staff

### Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

October 3, 2003

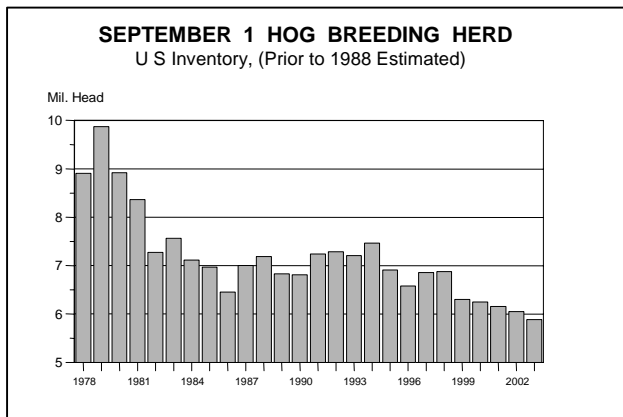
Production			Prices			
Week Ending 10/4/2003	Current	Year Ago	Weekly Weighted Avg. (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	653	683	Live Fed Steer	90.71	89.80	63.91
FI Hog Slaughter (Thou Hd)	2049	1986	Dressed Steer	145.58	143.38	99.66
FI Sheep Slaughter (Thou Hd)	56	62	Beef Cutout (Choice 600-750)	159.18	161.41	113.44
Live Yng. Chicken Sla. (Mil Hd)	160.0	157.3	USDA Hide/Offal (\$/Cwt)	9.27	9.16	8.05
Slaughter Cattle Weight	1230	1273	GA Auction Fdr. Str. (6-7 Cwt)	86.00	84.50	70.88
Slaughter Hog Weight	263	263	IA, S. MN Base Hog (\$/Cwt)	53.26	57.20	42.93
Slaughter Lamb/Sheep Weight	133	132	Natl. Net Carcass Hog (\$/Cwt)	57.82	60.50	46.82
Week Ending 10/4/2003			Feeder Pigs (40-50 Lbs)	40.04	38.57	23.66
Beef Production (Mil Lbs)	486.0	527.4	Pork Cutout (185 Lbs)	62.73	66.03	52.73
Pork Production (Mil Lbs)	400.0	385.6	Lamb Cutout	185.03	189.26	163.51
Lamb/Mutton Prod. (Mil Lbs)	3.7	4.1	Corn, Omaha (\$/Bu)	2.05	2.09	2.43
Previous 6 Week Moving Avg.			Wheat, Portland (\$/Bu)	3.82	3.85	4.35
Total Beef (Mil Lbs)	536.1	529.6	Wheat, Kansas City (\$/Bu)	3.60	3.61	4.87
Total Pork (Mil Lbs)	370.1	385.4	Soybeans, S. Iowa (\$/Bu)	6.61	6.45	5.32
Total Lamb/Mutton (Mil Lbs)	3.6	3.9				

### Trends . . . HOGS AND PIGS INVENTORY NUMBERS DECLINE

The USDA-NASS Quarterly Hogs and Pigs report (released September 26<sup>th</sup>) supported industry expectations that producers continued to reduce hog numbers in recent months, but the report also had a major red flag. The key number, or red flag, in this quarter's report was the winter farrowing intentions (December 2003 through February 2004), which USDA reported as even with a year ago. This fact coupled with gains in sow productivity, implies larger hog slaughter in the second and third quarters of 2004, which would be larger than previously anticipated. Still, U.S. hog slaughter for calendar year 2004 will likely be slightly below 2003's.

As of September 1, the U.S. inventory of all hogs and pigs totaled 59.6 million head, down 2 percent from last year and slightly below 2001's. USDA reported the breeding herd at 5.88 million head, 3 percent below (172 thousand head) the prior year, which corresponds to monthly sow slaughter data. The number of market hogs reported at 53.74 million head was 2 percent lower

### Chart of the Week . . .



than 2002's, but was 122 thousand head (0.2 percent) larger than 2001's. On a weight basis, the number of lightweight market hogs (under 60 lbs and 60-119 lbs) was down only one percent from last year while the middleweights (120-179 lbs) were down 2 percent. The number of near slaughter ready hogs (180 pounds and over) was down 5 percent compared to last year, which corresponds to the decline in weekly hog slaughter numbers during September.

Despite the year-to-year decline in hog numbers, U.S. hog slaughter in late 2003 will not show as large of a yearly decline as earlier projected due to larger than anticipated feeder

pig and slaughter hog imports from Canada. Looking ahead to 2004, higher than expected farrowing intentions in late 2003 and early 2004 will further add to hog supplies. U.S. hog slaughter is projected to post about a 2 percent year-to-year decline this fall. In the first half of 2004, U.S. hog slaughter may decline by 1 to 3 percent from 2003's. During the second half of 2004, year-to-year declines in U.S. hog slaughter will be moderate.

Slaughter hog prices in the fourth quarter of 2003 should average about 25 percent above 2002's. This year, slaughter hog prices will average 16 to 17 percent above 2002's. Overall, the smaller number of hogs and pigs and high beef prices should support slaughter hog prices above a year earlier throughout most of 2004. For calendar year 2004, slaughter hog prices in the U.S. are forecast to average 5 to 10 percent above 2003's.

## CATTLE FEEDING RETURNS

Cattle feeders are in a significantly better position this year compared to prior years as a result of record high fed cattle prices. Estimated cattle feeding returns (based on feeding a 750 pound steer) have been positive each month this year and are expected to remain in the black for the remainder of the year. However, returns will moderate if fed cattle price levels moderate as anticipated.

Estimated monthly returns to slaughter steers sold during the January through August time frame averaged slightly below \$60 per head. For the same eight-month period last year, cattle feeding returns were flowing red ink averaging a negative \$66.56 per head. For steers sold in September, estimated returns averaged about \$170.00 per head. That was the largest monthly estimated cattle feeding return since May 1975, when returns were about \$172.00 per steer.

For calendar year 2003, calculated average monthly cattle feeding returns will likely exceed \$72.00 per steer. That will be the highest annual return since 1975. It may be worth noting that one year after the record high feeding returns (1976) red ink returned for U.S. cattle feeders (estimated annual

average steer feeding returns in 1976 were about -\$36.00). Estimated breakeven sale prices (based on feeding a 750 pound steer in a commercial feedlot) have increased quickly in recent months due to higher feeder cattle prices. The estimated breakeven sale price for feeder steers purchased in September to reach slaughter weight in January is about \$85.00 per cwt.

## BROILER PRODUCTION

Earlier this year, the broiler industry experienced a slowdown in eggs set and chicks placed compared to prior years, which resulted in below year ago slaughter levels in the first six months of this year. On average, for the first three quarters weekly eggs set averaged one to two percent below last year until mid-September when weekly eggs set moved above a year ago. During mid-September weekly eggs set were on average 2.4 percent above the corresponding period last year. Weekly eggs set are beginning to decline seasonally, however expectations are that for most of the balance of 2003, weekly broiler eggs set will be above a year earlier.

Recent increases in eggs set will translate into yearly increases in broiler slaughter by about mid-October. So far this year, much of the reduction in broiler slaughter has been compensated for by increased bird weights. The trend of increasing bird weights is expected to continue.

Estimates currently are for U.S. broiler production to post a year-to-year increase of about 3 percent in 2004 and 2005. If that trend occurs and if U.S. pork production grows as anticipated in 2005, U.S. per capita total meat and poultry consumption in 2005 will easily be pushed back up to the record level of 2002. In 2002, record large total meat and poultry supplies pressured prices, especially when exports of poultry to Russia were disrupted. If foreign markets for pork and poultry grow more than anticipated, some of the pressure on U.S. markets in 2005 will be moderated. Still, even if U.S. beef production declines as anticipated in 2004 and 2005, that decline could be more than compensated for by increased chicken production.