

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

October 11, 2002

Production			Prices			
Week Ending 10/12/2002	Current	Year Ago	Weekly Weighted Avg.	Last	Week Ago	Year Ago
Fl Cattle Slaughter (Thou Hd)	703	671	Live Fed Steer	63.06	63.91	67.74
Fl Hog Slaughter (Thou Hd)	2005	2020	Dressed Steer	98.83	99.66	107.76
Fl Sheep Slaughter (Thou Hd)	63	60				
Live Y. Chick Slau. (Mil Hd)	159.1	157.7	Beef Cutout (Choice 550-700)	110.00	113.44	117.51
			USDA Hide/Offal (\$/Cwt.)	7.95	8.05	7.50
Slaughter Cattle Weight	1268	1250	GA Auction Fdr. Str. (6-7 Cwt)	71.50	71.00	77.88
Slaughter Hog Weight	261	267				
Slaughter Lamb, Sheep Wt.	131	139	IA, S. MN Dir. Hogs (\$/Cwt, Carc.)	46.89	45.70	57.96
			Natl. Net Carcass Price (Wtd. Avg.)	48.39	46.82	58.60
Week Ending 10/12/2002			Feeder Pigs (40-50 Lbs)	27.51	30.90	46.63
Beef Production (Mil Lbs)	542.6	509.7	Pork Cutout (185 Lbs.)	54.96	52.73	63.95
Pork Production (Mil Lbs)	386.6	398.0				
Lamb, Mutton Prod. (Mil Lbs)	4.1	4.1	Lamb Cutout (65 Lbs. & Dn.)	161.73	163.51	NQ
Previous 6 Week Moving Avg.			Corn, Omaha (\$/Bu)	2.34	2.43	1.78
Total Beef (Mil Lbs)	529.6	514.6	Wheat, Portland (\$/Bu)	4.48	4.35	3.73
Total Pork (Mil Lbs)	385.4	372.5	Wheat, Kansas City (\$/Bu)	4.89	4.87	2.74
Total Lamb, Mutton (Mil Lbs)	3.9	4.0	Soybeans, S. Iowa (\$/Bu)	5.18	5.32	4.27

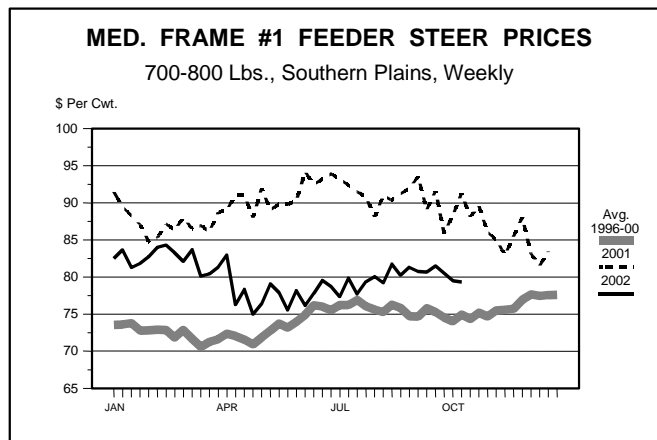
Trends . . . CALF AND YEARLING PRICES: SITUATION AND OUTLOOK

Several factors influence calf and yearling prices. Prospects for calf prices look better now than at this time a month ago. Yearling prices (700-to 800-pound steers) have remained relatively strong due to rather tight supplies, even in the face of continued red ink for feedlot closeouts.

Calf prices in many regions may have a firmer tone for the balance of this year, especially lightweight calves. Lightweight calf prices in Oklahoma were bid-up recently due to very good wheat and small grain pasture conditions. In fact, subsoil moisture conditions in much of the traditional wheat-grazing region of Oklahoma and Texas is reported as good to excellent. Some other winter stocker areas of the U.S. may need more moisture to improve interest in buying stocker calves.

Compared to expectations a month ago, additional support for calf prices may come from

Chart of the Week . . .



lower corn prices. USDA has reported that the U.S. corn crop may yield more bushels per acre than earlier estimates, though the national average yield will still be well below 2001's. Also, corn usage forecasts may moderate some with soft export markets and lower moderating hog and poultry numbers.

In many areas of the West and Great Plains, calves were early weaned due to drought and sold. So, the October through November (normal weaning time) supply of lightweight calves in those states will be smaller than in most years.

Yearling cattle and heavyweight calf prices will not likely move much higher until

feedlot closeouts get into the black. Estimated breakeven sale prices for October through December of this year are mostly \$69 to \$70 per cwt.

POULTRY PRODUCTION CHANGING

During the last four weeks, eggs set on average have been down 4.25 percent on a nationwide basis. USDA's eggs set data is for commercial hatcheries and refers to the number of eggs put into incubators, a key early stage in the broiler production process. During the last two weeks of September, USDA data showed eggs set fell 4.9 and 4.5 percent while this past week (week ending October 5th) eggs set were reported at 6 percent below last year. These have been very large year-to-year changes; in fact, some industry participants have categorized the recent declines in eggs set as "unprecedented".

The recent magnitude of the year-to-year decline in eggs set has raised the possibility of consistently lower broiler production as soon as late November of this year. Some caution is required in relying on just a few weeks of data to make forecasts. For example, egg hatchability, bird survival, and final processed weight greatly influence actual broiler tonnage available. But, this does appear to be a significant response by the broiler industry to low prices that have been the result of: 1) export market problems; 2) huge total meat and poultry supplies; and 3) increased feed costs tightening margins.

It is still unclear if the recent declines in broiler eggs set are of a temporary nature or represent a longer-term change. Over the next few weeks, confirmation of the impact of declining broiler eggs set will come in the USDA data on chicks placed. Whether this recent trend spills over into 2003 will depend on how much the size of the nation's hatchery flock is adjusting. It is increasingly clear that the rate of growth in U.S. poultry production so far in this decade has been well below the 1980's and 1990's.

The impact of the potential decline in broiler production on chicken prices and on prices of other poultry and meat items will depend on whether or not supply in the U.S. domestic market adjusts significantly. That is,

are the production declines enough to compensate for declines in export markets. The potential of broiler export markets, especially Russia and Asia, remains clouded.

STEER BY-PRODUCT VALUE

The steer by-product value, which includes such products as the hide, tongue, and liver, is driven by the export market, in particular the demand for hides from Asia. On the supply side, it is the number of steers and heifers being marketed that powers the by-product value, which in turn affects fed cattle prices. Last fall, as the supply of cattle being slaughtered rose and export demand was soft, the by-product value fell, adding pressure to an already soft fed cattle market.

The steer by-product value has moderately increased this year at an average monthly rate of 1.4 percent. On a quarterly basis, the drop value rose 6.3 percent during the second quarter and 3.4 percent in the third quarter. The recent slowdown in slaughter has prompted a modest increase in the by-product value. For the week ending September 21st the steer drop value hit \$8.00 on a live basis. This was the first time the drop value was higher than the corresponding week a year ago since early September of 2001.

During much of this year, the steer by-product value pulled live slaughter steer prices down by about \$2.00 per cwt. on a live basis below 2001's. But in recent weeks, the by-product value has been above a year earlier. So, on a year-to-year basis, instead of depressing slaughter steer prices the by-products are now supporting prices.

As supplies of cattle slaughter continue to tighten, the by-product value should further improve fed cattle prices. However, this assumes that the west coast port problems are not on going. Thus, if slaughter continues to slow and foreign demand holds, the drop values in the fourth quarter could be in the \$8.00 to \$9.00 range, \$1.00 to \$2.00 above last year, which should help support fed cattle prices above a year ago. That year-to-year price support should continue throughout 2003 if the world economy has positive economic growth.