Livestock Monitor

A Newsletter for Extension Staff
Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . . November 21, 2003

Production	Current	Year Ago	Prices	Last	Week Ago	Year Ago
Week Ending 11/22/2003	Current	Year Ago	Weekly Weighted Avg. ($/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	607	684	Live Fed Steer	97.96	100.57	71.24
FI Hog Slaughter (Thou Hd)	2141	2050	Dressed Steer	157.45	160.51	111.47
FI Sheep Slaughter (Thou Hd)	59	63				
Live Yng. Chicken Slau. (Mil Hd)	157.1	154.1	Beef Cutout (Choice 600-750)	167.14	169.41	119.90
			USDA Hide/Offal ($/Cwt)	10.07	10.15	7.69
Slaughter Cattle Weight	1236	1264	GA Auction Fdr. Str. (6-7 Cwt)	91.00	90.00	72.58
Slaughter Hog Weight	269	269				
Slaughter Lamb/Sheep Weight	139	136	IA, S. MN Base Hog ($/Cwt)	47.81	48.50	37.39
			Natl. Net Carcass Hog ($/Cwt)	50.88	51.75	43.81
Week Ending 11/22/2003			Feeder Pigs (40-50 Lbs)	30.00	30.00	30.50
Beef Production (Mil Lbs)	446.7	519.8	Pork Cutout (185 Lbs)	56.00	56.52	51.21
Pork Production (Mil Lbs)	427.0	407.1				
Lamb/Mutton Prod. (Mil Lbs)	4.1	4.2	Lamb Cutout	181.22	178.51	172.23
Previous 6 Week Moving Avg.			Corn, Omaha ($/Bu)	2.28	2.38	2.38
Total Beef (Mil Lbs)	470.7	530.4	Wheat, Portland ($/Bu)	3.88	3.91	4.37
Total Pork (Mil Lbs)	419.2	405.0	Wheat, Kansas City ($/Bu)	3.89	3.96	4.42
Total Lamb/Mutton (Mil Lbs)	3.8	4.1	Soybeans, S. Iowa ($/Bu)	7.53	7.72	5.58

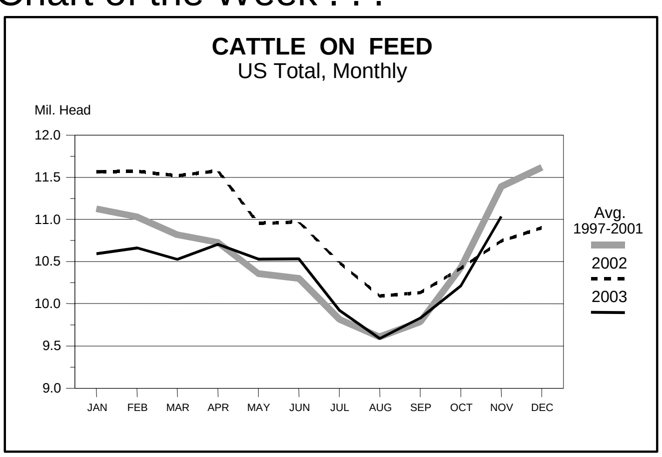
Trends . . . U.S. CATTLE ON FEED UP, CANADA DOWN

For the first time since April 2002, the USDA-NASS Monthly Cattle on Feed report (released November 21st) showed the on-feed inventory above a year earlier. As of November 1, the number of U.S. cattle on-feed totaled 11.03 million head, 2.8 percent above 2002's (about 296 thousand head), but 7 percent below 2001. In contrast, Canadian feedlots continued to report cattle on-feed inventories well below a year ago. As of November 1, the number of cattle on-feed in Alberta and Saskatchewan was about 623 thousand head, 29 percent below last year and around 46 percent less than 2001.

During October, placements of cattle into U.S. feedlots were 16 percent above a year ago. Compared to last year, placements of lightweight calves (cattle under 600 pounds) were up most dramatically (26 percent or 214 thousand). Clearly the number of cattle sent to wheat and other winter pastures has been well below 2002's. Also, the number of cattle entering feedlots not included in the USDA monthly report (under 1,000 head capacity feedlots) was likely well below a year ago.

According to USDA, cattle feeders marketed 1.86 million head in October, which was about 6 percent lower than 2002's, but only 2.2 percent lower than in 2001. Even though marketings were reported at well below a year ago, questions have been raised on why USDA's number

Chart of the Week . . .



was so high. U.S. steer and heifer slaughter for October was 11 percent below a year ago. However, U.S. fed cattle marketings may have only declined 6 percent because no Canadian slaughter steers and heifers were imported and if marketings by feedlots not included in the monthly survey (under 1,000 head capacity feedlots) were very small compared to a year ago and levels of recent months.

The category of cattle reported as “other disappearance” also appeared very large (up 20 percent) in USDA’s report. This situation likely did not indicate removal of cattle from feedlots and putting them on pasture, as is the case in some years. Rather, this may reflect a very unique situation of cattle being sold early and placed back on-feed, which by definition would also include those cattle as “placements”.

Canadian feedlots placed slightly more cattle in October compared to September, but still placements and marketings remained well below a year ago. During October, Canadian placements on a monthly basis were up 2 percent from September, but were down 20 percent from last year and 33 percent from 2001. As in September, placements of cattle in the heavyweight category (800 pounds and heavier) surged in October. Heavyweight placements were about 42 percent larger than in 2002’s, supporting earlier observations that Canadian producers have been holding feeder cattle outside feedlots as long as possible.

BEEF BYPRODUCT VALUE SOARS

The byproduct value (also known as the drop) is the value of non-meat items such as hides, livers, tallow, and tongues. The byproduct is heavily driven by demand and supply conditions in the foreign markets.

Often overlooked, the byproduct value can have a considerable impact on current slaughter cattle prices. Due to the discovery of BSE in Canada in May, there has been a limited supply of beef byproducts in the international market. As a result, U.S. byproducts have served as a substitute for products exported by Canada, a key factor that has supported relatively strong U.S. byproduct values this year. Further, the recent pull back in U.S. cattle slaughter has tightened byproduct supplies even more. As a result, the byproduct value has been well above a year ago and has contributed to high cattle prices.

This year, the byproduct skyrocketed in early July and has sustained an increasing value since. In mid-November, the weekly byproduct surpassed the $10 per cwt. level (on a live steer basis) the highest value reported since April 2001. For the first three quarters of this year, the byproduct value averaged $8.11 per cwt. (on a live steer basis), 10.5 percent ($0.77 per cwt.) higher than the respective period last year. In addition, from January to October, several byproduct items have posted significant year-to-year increases, in particular the tongue (26 percent), cheeks (22 percent), tripe (52 percent), and edible and inedible tallow (33 percent). Given market supply conditions, the byproduct should continue to average well above last year this year and is expected to remain very strong in 2004.

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FEEDLOT CLOSEOUTS

In the first three quarters, those feedlots participating in Kansas State Extension’s “Focus on Feedlots” survey were extremely aggressive in their marketings as demonstrated by below year ago cattle weights and significantly reduced days on feed. Both steers and heifers posted improvements in feed efficiency compared to the same period a year ago.

During the first three quarters of this year, the average final marketing weight for steers was 1258 pounds and 1143 pounds for heifers, down 15 pounds for steers and 11 pounds for heifers from the same period last year. Monthly cattle weights appear to have increased seasonally despite aggressive marketings by cattle feeders so far this year. Both steers and heifers closed out were on feed an average of 144 days, around 11 days less for steers and 16 days less for heifers compared to last year.

Steer and heifer performance during the first nine months was improved compared to 2002’s. Average daily gains for steers were 3.39 pounds, 3 percent higher than last year, whereas heifers were 6 percent higher at 3.09 pounds. Since May, average daily gains have been above 2002’s for both steers and heifers. On a dry matter basis, the amount of feed per pound of gain for steers was 5.91 pounds and 3.08 pounds for heifers, both below 2002’s.

As of September, the year-to-date average corn cost as reported by Kansas feedlots was $2.73 per bushel, $0.31 per bushel higher than a year earlier. During the first three quarters, the monthly corn cost has ranged from a high $2.80 per bushel in June to a low of $2.60 per bushel in September. On the other hand, hay costs averaged $97.69 per ton, down about $8 per ton (or 7 percent) from 2002’s nine-month average cost. The average cost of gain (including feed, yardage, processing, medication, and death loss) was $53.69 per cwt. for steers, up $4.11 per cwt. compared to 2002’s average, while heifers were up $3.73 at $56.48 per cwt.