

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

December 20, 2002

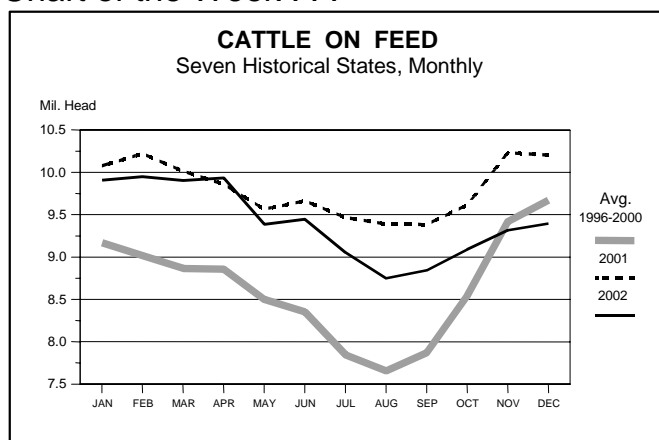
Production			Prices			
Week Ending 12/21/2002	Current	Year Ago	Weekly Weighted Avg.	Last	Week Ago	Year Ago
Fl Cattle Slaughter (Thou Hd)	649	705	Live Fed Steer	71.58	72.59	62.01
Fl Hog Slaughter (Thou Hd)	2156	2167	Dressed Steer	112.21	114.17	99.66
Fl Sheep Slaughter (Thou Hd)	60	65				
Live Y. Chick Slau. (Mil Hd)	154.9	154.8	Beef Cutout (Choice 550-700)	123.61	122.61	111.65
			USDA Hide/Offal (\$/Cwt.)	7.81	7.83	6.92
Slaughter Cattle Weight	1265	1260	GA Auction Fdr. Str. (6-7 Cwt)	72.50	72.50	77.13
Slaughter Hog Weight	269	266				
Slaughter Lamb, Sheep Wt.	136	137	IA, S. MN Dir. Hogs (\$/Cwt, Carc.)	43.48	43.07	48.09
			Natl. Net Carcass Price (Wtd. Avg.)	47.17	47.50	48.88
Week Ending 12/21/2002			Feeder Pigs (40-50 Lbs)	57.41	55.90	55.87
Beef Production (Mil Lbs)	495.1	538.3	Pork Cutout (185 Lbs.)	52.70	52.88	56.87
Pork Production (Mil Lbs)	429.0	426.8				
Lamb, Mutton Prod. (Mil Lbs)	4.1	4.5	Lamb Cutout (65 Lbs. & Dn.)	184.58	181.37	148.11
Previous 6 Week Moving Avg.						
Total Beef (Mil Lbs)	507.7	504.4	Corn, Omaha (\$/Bu)	2.27	2.28	1.90
Total Pork (Mil Lbs)	401.7	399.4	Wheat, Portland (\$/Bu)	4.09	4.12	3.69
Total Lamb, Mutton (Mil Lbs)	4.2	4.6	Wheat, Kansas City (\$/Bu)	4.07	4.15	2.82
			Soybeans, S. Iowa (\$/Bu)	5.53	5.54	4.21

Trends . . . CATTLE ON FEED: INVENTORY DOWN, PLACEMENTS UP

As expected, the monthly USDA-NASS Cattle on Feed report (released December 20th) showed the number of cattle on-feed as of December 1, 2002 was well below a year ago. In the historically reported 7-states, the on-feed inventory was the lowest for December 1 since 1996. At 8 percent below a year ago, the on-feed numbers were about as anticipated, but several of the categories within the report were a surprise to most observers.

According to USDA-NASS, placements of cattle into feedlots during November were above a year ago. In the historically reported 7-states, placements were reported at 5 percent above 2001's. That was a larger year-to-year increase than most analysts had expected. Still, that was not a large number as cattle placed on-feed a year ago was very small. All placement weight group categories, except cattle weighing under 600 pounds, showed an increase of about 10 percent compared to 2001's.

Chart of the Week . . .



Fed cattle marketings in November were also a bit of a surprise. During November, feedlots marketed cattle at a slower pace than steer and heifer slaughter indicated. USDA reported November marketings at 4 percent below a year ago nationally and 2 percent below a year ago in the historically reported 7-states.

Other disappearance of cattle from feedlots during November was a little larger than anticipated. Apparently, more lightweight calves than expected exited feedlots and were put into grazing programs.

All signs indicate tighter supplies of

slaughter ready cattle available in the months ahead. How much of a decline will depend on feedlot turnover rates (marketings as a percentage of on-feed numbers) during much of 2003, which will likely be well above the depressed rates of recent years. In contrast to an on-feed inventory about 8 percent below a year ago, feedlot marketings (and weekly average steer and heifer slaughter) in most of the first quarter of 2003 may decline by only 4 percent. Another key factor will be feedlot placements in December, which could be above 2001's.

'03 AND '04 CATTLE OUTLOOK

The forecast for 2003 and 2004 looks brighter for cattle producers as smaller cattle numbers should lower beef production, supporting higher cattle prices. Going into next year, the key factors impacting cattle prices will be competing meat and poultry supplies, foreign demand, feedstuff costs, and cattle weights.

U.S. commercial cattle slaughter for 2003 will be 3-4 percent lower than 2002's. This, coupled with a moderate yearly increase in cattle weights of less than one percent, should cause a 3 percent annual decline in beef production from 2002's. Smaller production together with a slight decline in imported beef puts total beef supply down 2.5 percent in 2003. The decline in production implies average per capita beef consumption on a retail weight basis will be 2 percent lower next year. A similar year-to-year decline is expected for 2004. In 2004, cattle slaughter is forecast to be down 2-3 percent from 2003's and U.S. beef may decline production down 1-2 percent, based on a trend increase in cattle dressed weights.

On a year-to-year basis, forecasts put fed cattle prices higher in each quarter of 2003. The largest year-to-year increase in prices of 1100-to 1300-pound Choice Kansas steers will likely be in the second quarter 2003, forecast to post a 14 percent increase over the respective quarter in 2002. On average, fed cattle prices will be 9-10 percent higher next year. Feeder cattle prices in 2003 may increase moderately from 2002's, but those increases may not materialize until the second quarter of the year. In major cattle feeding areas of the U.S., prices for 500-to 600-pound steer calves should range in the low \$90's to low \$100's per cwt., with 700-to 800-pound feeder steers prices between the low \$80's to

mid \$80's per cwt. Prices for fed cattle in 2004 may increase about 2-4 percent.

'03 AND '04 HOG OUTLOOK

Similar to the cattle outlook, hog producers will see smaller supplies and higher prices in 2003 and into 2004. Liquidation of the sow herd this past year translates into a year-to-year decline in the supply of market hogs and pork production in 2003. As a result, producers will see a dramatic return to higher prices for market hogs in 2003.

U.S. commercial hog slaughter is expected to post year-to-year declines on a quarterly basis throughout 2003. For calendar year 2003, hog slaughter may be 2-4 percent lower than 2002's with carcass weights showing a yearly increase of one percent. The slight increase in weights places commercial production forecasts down 1-2 percent with the largest decline occurring during the second half of 2003. Pork imports are forecast to post a yearly decline of 9-10 percent, placing total pork supplies 2 percent lower in 2003. The decrease in total supply coupled with estimates of a 4 percent increase in exports has pork stocks down 25 percent going into 2004. Per capita pork consumption for the year will be about 3 percent below 2003's.

The decline in commercial hog slaughter will continue into 2004, but at a more moderate rate than in 2003. Slaughter will decline during the first half of the year, but could begin to increase compared to 2003's in the second half of the year depending on how profitable producers become in 2003. Preliminary forecasts suggest U.S. hog slaughter in 2004 will decline modestly. If weights increase at a normal annual pace, U.S. pork production could actually increase slightly in 2004.

Producers can expect to see prices rebound in the second quarter of 2003. In the first quarter of 2003, barrow and gilt prices on a carcass basis (Iowa-Southern Minnesota) may be down about 3 percent from 2002's. However, on a quarterly average basis slaughter hog prices will be 20-30 percent above a year earlier throughout the remainder of 2003. On average, hog prices should be 17 percent above 2002's. Any year-to-year increase in prices will be minimal in 2004 as price forecasts place barrow and gilt prices up on average 3 percent over 2003, with a slight year-to-year decline during the fourth quarter due to an estimated increase in hog slaughter and weights.