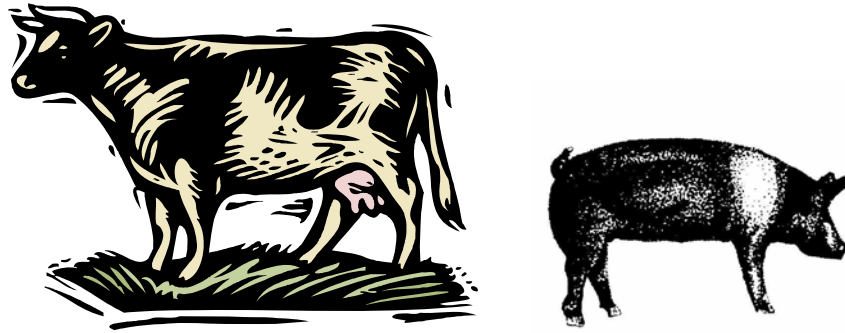


Livestock Market Update



Prepared by:

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Cattle Update

Cattle on Feed

USDA Cattle on Feed report issued Friday, January 20, 2006 stated that the on-feed inventory in large feedyards totaled 11.8 million head on January 1, 2006. This number is 4% above January 1, 2005 and 5% above January 1, 2004. The inventory included 7.57 million steers and steer calves (64% of total inventory), up 6% from 2005. Heifers and heifer calves accounted for 4.15 million head, up 2% from 2005.

Placements in feedlots during December totaled 1.88 million, 3% above 2004 and 8% above 2003. Net placements were 1.79 million. This is the highest placements for the month of December since the series began in 1996. During December, placements of cattle and calves weighing less than 600 pounds were 575,000 (a 24% increase from 2004), 600-699 pounds were 554,000 (down 0.1% from 2004), 700-700 pounds were 430,000 (down 12% from 2004), and 800 pounds and greater were 325,000 (up 0.1% from 2004).

During December, marketings of fed cattle from feedyards with over 1000 head capacity totaled 1.72 million, down 3% as compared to 2004 and 1% below 2003.

Cattle feeders in Alberta and Saskatchewan placed 131,669 head on feed during December, 18% less than 2004.

Live Cattle Imports

According to weekly trade data, feeder cattle imports from Mexico for January – November were down 9.8% from the same period in 2004. However, because the border to young cattle less than 30 months age from Canada opened in mid year our total live cattle imports for the first 11 months of the year were up over 28% from 2004.

Cattle Slaughter

Commercial red meat production for the U.S. totaled 3.95 billion pounds in December, up 1% from December 2004. Beef production, at 2.06 billion pounds, was 1% above 2004. January - December 2005 commercial red meat production was 45.7 billion pounds, up 1% from 2004.

Cattle slaughter totaled 2.67 million head, down 1% from December 2004. December 2005 contained 23 weekdays (including one holiday) and 5 Saturdays, while December 2004 contained 23 weekdays (including two holidays) and 4 Saturdays. The average U.S. live weight was up 13 pounds from 2004, at 1,281 pounds. The average live weight for Wisconsin is 1,362 pounds, up 28 pounds from 2004..

January - December 2005, federally inspected slaughter totaled 32.36 million head in 2005, steady with 2004. However, the mix of male to female slaughter noticeably shifted during 2005. Steer slaughter, at 17.1 million head, was up 4.7% from 2004. However, 2005 heifer slaughter was down 4.4% at 9.9 million head, supporting mid-year estimates of an increase in heifers held for replacements during 2005. Similarly, breeding herd slaughter was down as well: total cow slaughter declined 5.2% and bull slaughter was down 9% in 2005. Beef cow slaughter was approximately 2.57 million head in 2005, down 6.4% whereas dairy cow slaughter was down only 3.7% at 2.3 million head.

Total female slaughter in 2005 was 14.8 million head, 46% of total federally inspected slaughter. Steer slaughter accounted for 53% of total slaughter in 2005. In other words, total slaughter numbers are mostly unchanged for 2005 because a larger steer slaughter made up for the decrease in heifer and cow slaughter. The ratio of total female to steer slaughter was 86.7% for 2005, compared to 95.2% in 2004. Past data shows that when this ratio drops below 90%, significant rebuilding of the cattle inventory occurs.

Cattle inventory reports in 2005 confirmed the end of the previous cattle cycle and the beginning of an expansion phase. While growth shown in the 2005 reports last January and July were moderate (1% and 0.8% respectively), a slightly larger increase is possible in the Cattle Inventory report scheduled for release on January 27, 2006 based on the shift in cattle slaughter this past year. Look for a 1-2% increase in the cattle and calf inventory for January 1, 2006. Heifers held as beef cow replacements likely will see the largest increase.

Trade

Beef exports for January-November 2005 were up 50% from the same period in 2004, but down 74% as compared to 2003. Mexico was our biggest beef customer in 2005 amounting to almost 66% of our January-November exports.

The big news regarding trade, however, is the reinstatement of the Japanese ban on U.S. beef, just one month after it was lifted due to intense U.S. pressure. This ban occurred after the discovery of spinal cord tissue in 3 of 41 boxes of veal shipped to Japan by a New York meat packer. Hopefully the issue can be resolved quickly and it will not impact our other developing beef export markets. South Korea is still planning on opening its border to U.S. in March.

Beef Prices

Boxed beef values for the week ending January 20, 2006 were up at \$156.81 for Choice, strengthening \$2.75 from the previous week. The Choice-Select spread was at \$12.93, widening from the previous week's spread of \$12.69.

Retail choice beef prices in December 2005 were up 1% from November but down 0.5% from December 2004. For the year of 2005 choice beef price was up 0.6% from 2004.

Margin

The total beef marketing margin for 2005 was down 2.5% from 2004. The producer, retailer and packer margin in 2005 were down from 2004. The cattle producer received all the increase in retail price plus some.

Fed Cattle Market

The Wisconsin weekly weighted average price for Select and Choice Slaughter Steers on a live weight basis weighing 1000 – 1100 pounds was \$92.33, 1101-1300 was \$91.56, and 1300+ was \$92.07. For Choice Slaughter Steers on a live weight basis the weekly weighted average price was \$95.43. The weekly weighted average price for Choice Slaughter Holstein Steers on a live weight basis was \$85.02; for Select Slaughter Holstein Steers on a live weight basis, \$76.63.

Live fed cattle were a record high in nominal dollars at \$88.00 per cwt for the 5 market steer price in 2005.

Feeder Cattle Market

The Wisconsin prices for weight groups this week at for medium and large frame No. 1 and 2 steers were: 550-600 lbs. \$115.00-131.00, 600-650 lbs \$121.50-126.00, 650 – 700 lbs 114.00-125.00, 700 – 750 lbs. \$110.00-116.50, 750 – 800 lbs. \$105.00-114.50.

The feeder cattle prices at Oklahoma City were \$1-3 per cwt lower than a week prior. Steer calves were steady to \$2 per cwt higher and heifer calves were steady. The prices for weight groups this week at Oklahoma City for medium and large frame No. 1 steers were 400-500 lbs. \$144.00-162.00, 500-600 lbs. \$122.25-145.25, 600-700 lbs. calves \$111.75-125.75, 700-800 lbs. calves \$107.00-112.00, 600-700 lbs. yearlings \$114.25-125.00, 700-800 lbs. yearlings \$109.00-116.00.

BSE in Canada

The Canadian Food Inspection Agency confirmed on January 23, 2006 bovine spongiform encephalopathy (BSE) in an approximately six-year-old cross-bred cow born and raised in Alberta. No part of the animal entered the human food or animal feed systems.

2006 Preview

Beef demand is not expected to grow in 2006 due to the declining interest in low carb diets and the increase in fuel prices. However, many Americans have found that they like the taste of beef and are keeping on their menus, so beef demand will most likely not dwindle in 2006.

Export demand for U.S. beef will increase slightly. Even if Japan keeps its borders closed, we have re-gained our Singapore market and will hopefully gain the South Korea, Taiwan, and Hong Kong markets. That could represent an increase in quantity of about 1-2% of our domestic production.

Our national cattle herd is growing. In July, the USDA reported a 1% increase in cattle numbers from 2004. I believe that when they release this inventory we will see a greater than 1% increase in the size of the cow herd. Fed cattle weights also continue to trend higher and this adds additional beef to the system. Estimates are that our total beef production in 2006 will likely be as much as 3.5% higher than in 2005.

It is my belief that the supply increases will outweigh the demand increases and we will therefore see lower prices in 2006 as compared to 2005. Additionally, given that supply increases are at the cow-calf level and the demand is at the retail level, it would not be unreasonable to expect calf prices to decline relatively more than beef price.

Hog Update

Hog Slaughter – U.S.

According to the USDA report released January 20, pork production totaled 1.87 billion pounds, up slightly from 2004. Hog kill totaled 9.23 million head, slightly below December 2004. The average live weight was 272 pounds, up 2 pounds from 2004.

Pork and Hog Trade

Pork exports have slowed but are still 12% above 12 months earlier. For January-November, pork exports were up 22.4%, 11.1% above the record high for all of 2004.

Pork imports by the U.S. for January-November were down 8.3% from a year earlier. Net pork exports as a percent of production increased from 5.2% in the first 11 months of 2004 to 8.0% of production for January-November of 2005.

Live hog imports from Canada in November were down 4.5% from 2004. However, feeder pig imports for the month were up 0.9% but slaughter imports for November were down 13.3% from 2004. For January-November Live hog imports from Canada were down 4.8%, feeder pig imports were down 5.4% and slaughter imports were down 3.6%.

Pork Prices

Retail pork prices for December were up 0.6% from November 2005 and the same as December 2004. For the year, retail pork prices were up 1.3%.

Marketers received the increase in the retail price. The prices of live hogs in 2005 were 4.7% below 2004.

Hog Market

Live cash hog prices on January 20, 2006 were \$1.50 higher than a week earlier. The top live prices were: Peoria \$36.50 per cwt, St. Paul \$40.00 per cwt, Sioux Falls, \$40.50 per cwt and interior Missouri \$38.75 per cwt. Regional weighted average carcass base prices on January 20 were: western corn belt \$55.66, eastern corn belt \$51.40, and Iowa-Minnesota \$55.71/cwt. The national weighted average carcass price for negotiated hogs was \$53.28.

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