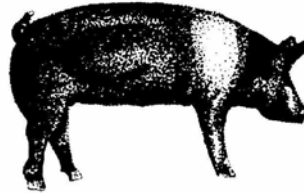
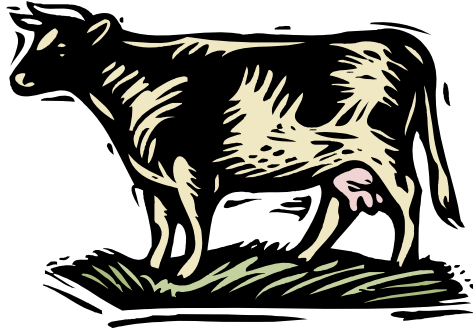


# Livestock Market Update

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October 25, 2005



The logo for Extension, featuring the word "Extension" in a blue, sans-serif font with a small graphic element to the left.

## Cattle Update

### **Cattle on Feed – U.S.**

USDA October Cattle on Feed report issued last Friday was, for the most part, as expected. The report indicated slightly more cattle in feedlots than expected. The on-feed inventory in large feedyards was down from a year ago (99.8% at 10.5 million head) but larger than the trade expectations (a forecast of 99%). The inventory included 6.9 million steers and steer calves, up 6% from 2004. The report indicated that heifers are not entering feedlots, confirming cow-calf operations intent nationally to grow the U.S. cowherd.

Placements in feedlots during September totaled 2.36 million, 1% below 2004, but roughly 100,000, head more than expected. Trade estimates had placements to be down 4.5%. Placements of cattle and calves weighing less than 600 pounds saw a 10% decrease from 2004, 700-800 pound were down 1.3%, whereas feeders in 600-700 and 800+ pounds were up 6.3% and 1.4%, respectively. The low cost of corn and fed cattle prices into the upper \$80s, should support active placements in October.

During September, marketings of fed cattle from feedyards with over 1000 head capacity totaled 1.82 million, up 1% as compared to 2004. This was below the pre-trade estimates which had marketings up 1.7% from September 2004.

Federally inspected steer and heifer slaughter was up 3.3% compared to September 2004. Slaughter is up 3.3% even though marketings are only up 1% due to the return of Canadian cattle to the slaughter mix. During September approximately 50,000 Canadian steers and heifers were imported for immediate slaughter.

With larger placements and fewer marketing than expected, the report suggests near market ready supplies of cattle in U.S. feedlots are not as tight as they appeared in recent weeks. When the recent increase in weekly slaughter cattle weights is also factored in, there appears to be little upside potential for slaughter cattle prices in the next few weeks.

### **Cattle on Feed – Canada**

Cattle feeders in Alberta and Saskatchewan placed 260,000 head on feed during September, 20% less than 2004. This drop in placements is at least partially a result of restored trade with the U.S. According to weekly trade data, Canada exported about 33,000 (a 57% increase from 2000-2002 September average) feeder cattle to the U.S. in September. However, the impact on U.S. prices from these increased imports has been muted by a decrease in slaughter cattle imports from Canada. During September 2005, the U.S. imported almost 40% fewer fed cattle from Canada as compared to the 2000 - 2002 September average. Canada's cattle on feed data continues to show additional feeding in Canada, with September marketings up 24% and the on-feed inventory on October 1, 2005 2% higher than 2004.

### **Cattle Slaughter**

Commercial red meat production for the U.S. totaled 3.93 billion pounds in September, up 1% from August 2004. Beef production, at 2.16 billion pounds, was 3% above 2004. Cattle slaughter totaled 2.78 million head, up 1% from 2004. September 2005 and 2004 both contained 22 weekdays and 4 Saturdays. The average live weight was up 11 pounds from the previous year, at 1,276 pounds.

### **Beef Prices**

Boxed beef values for the week of October 17 were \$4.22 higher on Choice, and \$2.60 better for Selects. Boxed beef cutout values were generally steady on light to moderate demand and offerings. The Choice-Select spread is at \$12.91. The market continues to be short of Choice product.

### **Integrating Canadian Cattle**

In September the number of live cattle imported from Canada was about 3% of slaughter. October numbers are expected to be closer to 4%. Prior to the restrictions, which began in May 2003, the U.S. imported nearly 5% of its slaughter as Canadian live animals. Feeder animals that have been imported since mid-July have not yet come to slaughter. These feeder animals have represented 45% of the total Canadian live imports so far.

### **Consumer Demand**

Beef demand is up due to increased exports but is declining on a per capita basis. If beef demand is measured at the wholesale level, beef demand looks like it will end the month up about 1.5% as compared to 2004. Exports of U.S. beef and veal total 53.1 million pounds, 6% larger than 2004. (The export levels are still below pre-BSE exports.) If beef demand is measured on a per capita basis, it is slightly declining. Retail prices for choice beef averaged \$3.92 per pound during September (a \$0.068 decline from August and \$0.158 decline from September 2004). Despite the lower price, per capita beef consumption during September was close to 2004 levels.

## **Corn**

The October 12 USDA crop production report estimated corn production at 10.9 billion bushels, up 2% from September 2005 but 8% below 2004. If realized, this would be the second largest crop on record. Based on conditions as of October 1, yields are expected to average 146.1 bushels per acre, up 2.9 bushels from September but 14.3 bushels below last year. Based on conditions as of October 1, Wisconsin yields are expected to average 138 bushels per acre, up 2.0 bushels from the September forecast. Farmers expect to harvest 74.3 million acres of corn for grain, up 15,000 acres from September and up 1% from 2004.

## **Fed Cattle Market**

The Wisconsin fed cattle trade had small numbers during the week of October 17 and the prices were down from the previous week. The weekly weighted average price for Choice Slaughter Steers on a live weight basis weighing 1100 – 1300 pounds was \$86.01 (down \$2.33 from the previous week), 1300 – 1500 was \$87.35 (down \$1.49), and 1500+ was \$87.67 (up \$0.84). For Select Slaughter Steers on a live weight basis the weekly weighted average price was \$80.00. The weekly weighted average price for Choice Slaughter Holstein Steers on a live weight basis was \$78.42; for Select Slaughter Holstein Steers on a live weight basis, \$70.48. Cattle producers should be aggressively marketing cattle at the proper weights now. Prices for finished steers are expected to be in the mid-to-higher \$80s this fall and in the lower \$90s this winter. Hedging opportunities exist by being short Dec '05 and Feb '06 futures to cover 4<sup>th</sup> quarter marketings.

## **Feeder Cattle Market**

Feeder cattle futures prices have had phenomenal upward movement. A lack of replacement stock, cheap feed and feedlot's strong equity positions have pushed prices to these heights. Calf and feeder cattle prices are expected to be near record high this fall. Steer calves weighing 500-550 pounds are expected to average \$125-\$135 / cwt, while feeder cattle are expected to average \$110-\$115 / cwt.

## **Feedstuffs Market**

USDA World Supply/Demand report increased corn production estimates as well as corn ending stocks. Supply will weigh heavy on price for at least another year or so. Slow farmer selling and steady export demand has supported corn basis values to a small degree but basis levels still remain weak. Basis levels for corn near Minneapolis were very weak, averaging \$0.62 under. Farmers have been storing corn because of low prices and nice Loan Deficiency Payments (LDPs). While prices could go lower, there is nothing wrong with pricing some of your feed needs at these levels. If it goes lower, lock in some more using forward contracts, call options or lastly direct use of futures.

## **Breakeven Prices**

Let's assume that a feeder buys a 750 pound steer for \$124.48/cwt and places this steer on feed October 24. Assuming an average daily gain of 3.25 pounds, 180 days on feed, and an estimated total cost of gain of \$44.45/cwt, the feeder will have a break-even price of \$89.41. Due to variations in prices, rates of gain, etc. feeders can expect to have break-even prices between \$87 and \$91 per cwt.

## **Feedlot update, cost of gains well below last year**

*By LMIC*

In August, feedlots participating in Kansas State's "Focus on Feedlot" survey reported cost of gains well below a year ago mostly due to lower feedstuff costs. For the first eight months of this year, reported average daily gains for steers have been below a year ago. Daily gains for heifers have been rather volatile this year, falling above and below 2004's numbers.

On average, steers were on a feed a total of 160 days, which was 17 days longer than last year while heifers were on a feed four days longer at 150 days. Despite longer days on feed, steer closeout weights were actually down 18 pounds from last year at 1309 pounds, however compared to the prior five-year average, steer weights were up 25 pounds. Lower steer weights can be attributed to lower average daily gains of 3.49 pounds compared to 3.67 pounds per day in August of 2004. On the other hand, heifer closeout weights in August at 1197 pounds were 25 pounds heavier than last year and 44 pounds above the prior five-year average. Heavier heifer weights in August was mostly due to better average daily gains as heifers gained on average 3.11 pounds of feed each day versus 3.05 pounds in 2004. Feed efficiency (feed per pound of gain on a dry matter basis) was similar to a year earlier in August, for example, steers closed out required 5.82 pounds versus 5.85 pounds last year.

In August, surveyed feedlots reported an average corn price of \$2.51 per bushel, well below the \$3.03 per bushel reported the previous year and the highest monthly price for corn reported thus far this year. At the same time, hay prices at \$75.64 per ton were down \$2.09 per ton from 2004's and the lowest price per ton reported in 2005. For steers sold in August, the average cost of gain was \$50.35 per cwt., \$7.00 lower than 2004's, while the average cost for heifers was about \$8.00 lower at \$54.75 per cwt. Lower corn prices in recent months have continued to ratchet down cost of gain in feedlots.

# Hog Update

## Hog Slaughter – U.S.

According to the USDA report released October 21, pork production totaled 1.74 billion pounds, down 2% from 2004. Hog kill totaled 8.87 million head, 1% below September 2004. The average live weight was 265 pounds, unchanged from 2004.

## Quarterly Hogs and Pig Report

U.S. inventory of all hogs and pigs on September 1, 2005 was 61.5 million head. This was up slightly from September 1, 2004, and up 1% from June 1, 2005. Market hog inventory, at 55.6 million head, was virtually unchanged from last year but up 2% from last quarter. Breeding inventory, at 5.97 million head, was up less than 1% from last year but down very slightly (less than 1%) from last quarter. Breeding herd has changed less than 1% in each of the last five quarterly reports, the longest period ever with such small changes. This trend may be broken soon though as producers are hinting as some expansion in the distant future.

The June-August 2005 U.S. pig crop, at 26.3 million head, was up slightly from 2004 and up 1% from 2003. Sows farrowing during this period totaled 2.90 million head, down slightly from 2004. The number of sows farrowed this summer was virtually unchanged, but the number of pigs per litter was up 1%. The average pigs saved per litter was 9.07 for the June-August 2005 period, compared to 9.01 in 2004. Pigs saved per litter by size of operation ranged from 7.60 for operations with 1-99 hogs and pigs to 9.1 for operations with more than 5,000 hogs and pigs. The hint for expansion shows up this winter, when farrowings are expected to increase by 1%.

A notable decline in the size of the breeding herd in Minnesota occurred (2% reduction) and Wisconsin (9% reduction). Illinois and Iowa had increases in breeding herd, 5% and 4% respectively. Pork supplies are expected to be up about 1% this fall and winter and up 2% next spring and summer. However, with increasing population and strong exports, the available supply per person will be little changed.

## Pork Trade

The growth in pork exports continues at an unbelievable rate. For August, the 2005 growth was 29.6% compared 2004. Pork exports for January-August were up 26.5%, amounting to over 13% of U.S. production. 2004 totals may be exceeded by the end of October.

## Hog Trade

Live hog imports from Canada for January-August were up 5.6%. Feeder pig imports for August were only up 0.8% but slaughter imports were up 17.3% from a year earlier.

## Pork Prices

Retail pork prices for September were down 2.5% from September 2004, but slightly up from August 2005. The January-September retail pork prices were up 2.2% from 2004.

## **Hog Market**

Hog prices are down. Production is running near record high levels. Regional weighted average carcass basis prices on October 24 were: eastern corn belt \$59.43, western corn belt \$59.74, and Iowa-Minnesota \$60.00/cwt. The national weighted average carcass price for negotiated hogs was \$59.64, down \$0.09 from the previous day. Lower cash hog prices and lower cash pork prices are pressuring futures lower. Odds are high that hog prices will go lower in November. Hedgers should be short in this market around \$63.00/cwt level protecting 1st quarter marketings.

## **Soybeans**

Soybean production is forecast at 2.97 billion bushels, up 4% from the September forecast but down 5% from the record crop of 2004. Soybean ending stock estimates increased 55 million bushels to 260 million bushels. Based on October 1 conditions, Wisconsin yields are expected to average 38 bushels per acre, up 2 bushels from September. It should be noted that this soybean crop is the third largest on record and is likely to get even larger putting further pressure on price.

Average basis levels for soybeans near Minneapolis were very weak at \$0.80 under. However, there is slight basis support due to talk of export demand from China.

## **Wisconsin Livestock Identification Consortium (WLIC)**

The Wisconsin Premises Registration Act is effective November 1, 2005. The rule requires anyone with livestock not currently licensed by the department to register by January 1, 2006. Those entities currently licensed by the department must register by their license renewal date.

# **In-service Opportunity**

Agents who are interested in learning more about crop and livestock insurance and marketing are invited to attend the UW-Extension FARM Team's Professional Development Activity on November 17 in Portage County Extension Office. Certainly the in-service is for farm management types, but if you are primarily a livestock, dairy, or crop production person, and would like to raise the bar a bit in your knowledge of these farm and risk management subjects, then this in-service is for you too. Besides knowledge, you will also be made aware of available resources, curricula, and people. Registration questions can be addressed to Kevin Bernhardt at [bernhark@uwplatt.edu](mailto:bernhark@uwplatt.edu).

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