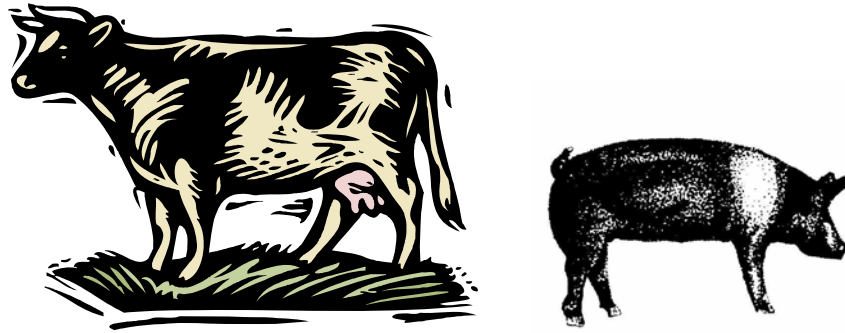


# Livestock Market Update



Prepared by:

Brenda L. Boetel, Livestock Marketing Specialist, University of Wisconsin-River Falls  
November 29, 2005



## 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.

## Cattle Update

### Cattle on Feed – U.S.

USDA Cattle on Feed report issued Friday, November 18 was slightly bearish. The on-feed inventory in large feedyards was expected to be at 100.5% of 2004, instead it was up 1% from a year ago (11.5 million on feed on November 1, 2005) and up 4% from 2003. This increase is greater than the expected increase of 0.5%.

Placements in feedlots during October totaled 2.8 million, 3.4% above 2004. Trade estimates had placements to be at 100% of 2004. Net placements were 2.74 million head. Placements of cattle and calves weighing less than 600 pounds saw a 3.6% decrease from 2004, whereas feeders in the 600-700, 700-800, and 800+ pounds were up from 2004, 3.4%, 14.3%, and 5.8% respectively. The low cost of corn and fed cattle prices into the upper \$80s, should continue to support active placements.

During October, marketings of fed cattle from feedyards with over 1000 head capacity totaled 1.74 million, down 3% as compared to 2004. This was consistent with the pre-trade estimates which had marketings down 3.3% from October 2004. This was the second lowest fed cattle marketings for the month of October since the USDA began reporting the numbers in 1996.

### **Cattle on Feed – Canada**

Cattle feeders in Alberta and Saskatchewan placed 322,000 head on feed during October, 16% less than 2004. This drop in placements is at least partially a result of restored trade with the U.S.

### **Live Cattle Imports**

According to weekly trade data, feeder cattle imports from Mexico were down 9.9% for January to September. Canada exported about 165,291 feeder cattle to the U.S. so far in 2005. However, the impact on U.S. prices from these increased imports has been muted by a decrease in slaughter cattle imports from Canada. Year to date in 2005, the U.S. has imported 226,259 fed cattle from Canada. Canada's cattle on feed data shows a decrease in feeding in Canada, with October marketings down 3% and the on-feed inventory on November, 2005 3% lower than 2004. The total number of live cattle imported from Canada from July 18, 2005 through November 28, 2005 amounted to 391,562 head. This is a substantially smaller number than some of the estimates made before the border opened.

### **Cattle Slaughter**

Commercial red meat production for the U.S. totaled 3.93 billion pounds in October, up minimally from October 2004. Beef production, at 2.08 billion pounds, was 2% below 2004. Cattle slaughter totaled 2.68 million head, down 2% from October 2004. October 2005 and 2004 both contained 21 weekdays and 5 Saturdays. The average U.S. live weight was up 13 pounds from the previous year, at 1,280 pounds. The average live weight for Wisconsin is 1,348 pounds.

Compared to October 2004, federally inspected steer slaughter was up 4.3%, while heifer slaughter was down 13.7%.

### **Beef Prices**

Boxed beef values for the week of November 21 were fairly steady at \$151.03, but did weaken \$0.37 from the previous week. The Choice-Select spread is at \$10.12, narrowing from the previous week's spread of \$11.02, but still quite wide compared to last year's spread of \$4.83. Although supply of choice product is increasing, the market continues to be short of Choice product.

Retail beef prices in October were up 1.3% from September but down 1.1% from October 2004. The average retail price for choice beef for the first 10 months of 2005 were up 2% from the same months of 2004.

### **Margins**

The total marketing margin for January to October 2005 was down 1.3% from 12 months earlier. According to USDA, the retail-processors margin was down 0.5% and the packers' margin was down 5.2%. All the gain in retail prices, plus some, went to live fed cattle prices which were up 3% for January to October compared to 12 months earlier.

## **Corn**

The November 10 USDA crop production report estimated corn production at 11 billion bushels, up 2% from October 2005 but 7% below 2004. Based on conditions as of November 1, yields are expected to average 148.4 bushels per acre, up 2.3 bushels from October but 12 bushels below last year. Based on conditions as of November 1, Wisconsin yields are expected to average 150 bushels per acre, up 12 bushels from the October forecast. Minnesota and Wisconsin are experiencing record yields this year.

## **Fed Cattle Market**

The Wisconsin fed cattle trade last week had small number due to the holiday. Prices were up from the previous week. The Wisconsin weekly weighted average price for Select and Choice Slaughter Steers on a live weight basis weighing 1000 – 1100 pounds was \$87.00, 1101-1300 was \$86.17 (up \$1.73), and 1300+ was \$87.00 (up \$2.67). For Choice Slaughter Steers on a live weight basis the weekly weighted average price was \$89.53. The weekly weighted average price for Choice Slaughter Holstein Steers on a live weight basis was \$80.33; for Select Slaughter Holstein Steers on a live weight basis, \$71.74. The Kansas fed steer price for the holiday week was \$91.09, up \$0.92 from the previous week. Live cattle on the CME set contract highs from December to June on Monday, November 28.

With larger placements and fewer marketing than expected, the market ready supply of cattle in U.S. feedlots is adequate. When the increase in slaughter weights is factored in there appears to be little upside potential for slaughter cattle prices in the next few weeks. Live cattle feeders should consider hedging a significant portion of their 1<sup>st</sup> quarter marketings by being short Feb '06 futures.

## **Feeder Cattle Market**

Feeder cattle prices were steady to higher last week. The prices for weight groups this week at Oklahoma City for medium and large frame No. 1 steers were: 550-600 lbs. \$125, 600-650 lbs \$120.5 – 129.00, 650 – 700 lbs 119.60 – 122.50, 700 – 750 lbs. \$118.00 - \$119.00, 750 – 800 lbs. \$110.00 - \$111.50. At the futures markets, new contract highs were established in the January, March, April and May feeder futures on Monday, November 28. Support was garnered amid talk of active feedlot cattle sales during the holiday week.

Cash sellers should keep marketings current at the proper weights. Hedgers should be short Jan '06 and Mar'06 feeder futures to protect 1<sup>st</sup> quarter marketings.

## **Breakeven Prices**

The following table presents some breakeven prices for a 750 lb steer fed to 1200 lbs. At an average daily gain of 2 lb per day, the animal will be on feed for 225 days, with an ADG of 2.5 lbs., it will only take 180 days on feed. The number of days on feed will be a determinate in your total cost per gain. However, the largest factor in this total cost is the price of corn. A general assumption is that corn is approximately one-half the direct cost associated with finishing the steer. Currently, the cost of gain for the typical producer is somewhere between \$0.44 and \$0.50 per pound of net gain. The remainder of the costs involves other feedstuffs, veterinary costs, transportation costs, marketing costs, etc.

<b>Breakeven Prices for 750 lb Steer</b>						
<b>Feeder Cattle Prices</b>	<b>Total Cost Per Pound of Net Gain</b>					
	<b>0.44</b>	<b>0.45</b>	<b>0.46</b>	<b>0.47</b>	<b>0.48</b>	<b>0.49</b>
<b>116.00</b>	\$89.00	\$89.38	\$89.75	\$90.13	\$90.50	\$90.88
<b>117.00</b>	\$89.63	\$90.00	\$90.38	\$90.75	\$91.13	\$91.50
<b>118.00</b>	\$90.25	\$90.63	\$91.00	\$91.38	\$91.75	\$92.13
<b>119.00</b>	\$90.88	\$91.25	\$91.63	\$92.00	\$92.38	\$92.75
<b>120.00</b>	\$91.50	\$91.88	\$92.25	\$92.63	\$93.00	\$93.38
<b>121.00</b>	\$92.13	\$92.50	\$92.88	\$93.25	\$93.63	\$94.00

### **Fed Cattle Weights and Grades**

*By Dillon Feuz, Department of Agricultural Economics, University of Nebraska*

Fed cattle weights have been trending higher for a number of years. Over the last 20 years, the annual increase has averaged about 5 pounds per year. This increase is likely occurring due to changes in genetics, changes in nutritional management and changes in market forces. Feed costs have varied over that time period from year to year, but there has been no upward trend. When one considers some of the new corn bi-products, cattle implants and feed additives, the cost per pound of gain has likely declined over that 20 year period. However, the price of cattle has been trending higher over that 20 year period. Even though cattle may become less efficient at converting feed to gain as they near the end of a feeding period, and therefore more costly to feed, that point where it costs more for an additional pound of gain than it is worth in the market place is increasing. With fed cattle prices in the \$80-90 range and the cost of gain in the \$45-50 range, there is an economic incentive to feed to heavier weights.

While cattle weights have been increasing, quality grades have not. Since 2000, the percentage cattle grading Prime, Choice and Select has remained fairly constant at about 3-4%, 55%, and 37-38%, respectively. Added days on feed and added weight, has not altered quality grade. However, yield grades have changed over this time period. The percentage of fed cattle grading yield grade 4 and 5 has increased from about 2% to about 8% and from near 0% to over 1% for yield grade 4 and 5, respectively. As cattle numbers increase in the next few years, this could become a real problem for producers. I would expect the discounts to increase for these over fat cattle.

# Hog Update

## Hog Slaughter – U.S.

According to the USDA report released November 25, pork production totaled 1.82 billion pounds, up 2% from 2004. Hog kill totaled 9.12 million head, 2% above October 2004. The average live weight was 269 pounds, up 2 pounds from 2004.

## Pork and Hog Trade

Pork exports continue to grow. For January to September, pork exports were up 25.9% as compared to 2003. Pork imports for January to September were down 10%. The U.S. net exports of products have grown from 4.8% in January to September of 2004 to 8% in for the same months in 2005.

Live hog imports from Canada for January-September were down 6.6% from 2004. Feeder pig imports were down 7.4% and slaughter imports were down 5%.

## Pork Prices

Retail pork prices for October were down 3.3% from October 2004 and 1.2% from September 2005. The January-September retail pork prices were up 1.7% from 2004. This increase in retail prices has gone to the marketers. The total marketing margin for January to October was up 0.2%, the processor-retailer margin was the same as 2004 and the packers' margin was up 1.2%.

## Soybeans

Soybean production is forecast at 3.04 billion bushels, up 3% from the October forecast but down 3% from the record crop of 2004. Based on November 1 conditions, Wisconsin yields are expected to average 42 bushels per acre, up 4 bushels from October. It should be noted that this soybean crop is the second largest on record and is likely to get even larger putting further pressure on price. Iowa, Minnesota, Nebraska, North Dakota, and Louisiana are expected to have record high yields.

## Hog Market

Hog prices are low. During Thanksgiving week, hog prices made new lows for the year, and average prices for the month of November were the lowest in 22 months. Regional weighted average carcass basis prices on November 28 were: eastern corn belt \$56.74, western corn belt \$57.07, and Iowa-Minnesota \$57.17/cwt. The national weighted average carcass price for negotiated hogs was \$56.91, up \$1.29 from the previous day. The winter storms could delay hog marketings, driving up prices.

Lean hog futures traders are confident of cash hog price recovery. December '05 and February '06 lean hog futures were up on Monday, November 28. April '06 established a new contract high. Possible reasons for higher futures prices are profitable plant margins, and higher cash prices due to the winter storms. The high futures prices provide hedging opportunities that are currently higher than projected cash prices. With low corn and soybean meal prices, costs of production through next summer are expected to be about \$38 to \$39 per live hundredweight. Hedgers should be short to protect 1<sup>st</sup> quarter marketings, but they can also create a hedging profit potential of \$10 to \$12 per live hundredweight. Cash sellers should keep marketings current.

*Brenda Boetel can be reached at [Brenda.boetel@uwrf.edu](mailto:Brenda.boetel@uwrf.edu) or 715-425-0702.*

