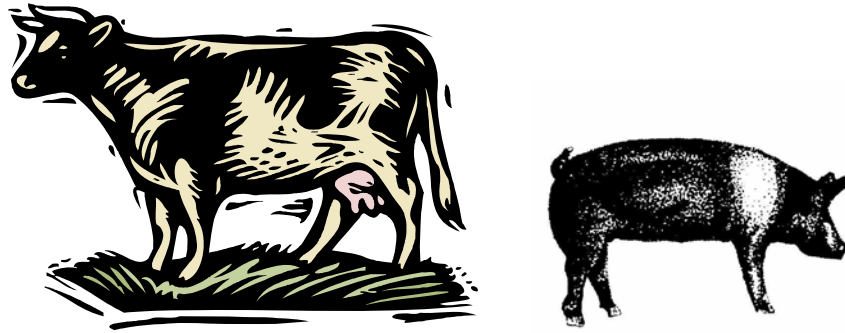


# Livestock Market Update



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## Cattle Update

### Cattle on Feed – U.S.

USDA Cattle on Feed report issued Friday, June 23 was more bullish than trade estimates. The June 1 Cattle on Feed reported the number on feed was up 4% from 2005, whereas trade estimates were for a 6.1% increase. Placements on feed during May were at 1.91 million, down 13.9%. The trade estimates were for a 6.5% decrease. Net placements were 1.8 million head. Placements of cattle and calves weighing less than 600 pounds saw a 1.1% increase from 2005, but the 600-699 pounds placed on feed weight group was down 5.1%. The 700-799 pound weight group was down 24.1% and the 800 pound plus group was down 18.4%. With these lighter placement weights, cattle will need to be fed longer to reach slaughter weights, which means marketings will not be up as much as numbers on feed.

During June, marketings of fed cattle from feedyards with over 1000 head capacity totaled 2.17 million, up 8.7% from 2005 and 7% from 2004. Trade estimates were for an increase of 7%. This report should be positive for fed cattle prices, especially by late fall.

### Cattle Slaughter

Commercial red meat production for the U.S. totaled 4.05 billion pounds in May, up 9% from 2005. Beef production, at 2.3 billion pounds, was 11% above 2005. Cattle slaughter totaled 3.04 million head, up 9% from May 2005. Compared to the January-May 2005 period, federally inspected steer slaughter was up 6%, while heifer slaughter was up less than 1%. Cow slaughter also continues to run above 2005, with a January-May increase of 4.2%. Dairy cow slaughter is down 1.1% from January-May 2005, while beef cow slaughter was up 8.9%. The larger cow slaughter is mostly due to dry weather in the southwest and western states. Regarding the cattle cycles discussed so

often in the beginning of the year, this report indicates that the herd size will probably increase, but the rate of increase will be slower than with normal weather in the above listed areas.

The average U.S. live weight was up 19 pounds from the previous year, at 1,241 pounds. The average live weight for Wisconsin is 1,355 pounds.

### **Beef Prices**

Boxed beef values for Thursday, July 6, 2006 were down from the previous day. The Choice-Select spread is at \$21.97, narrowing from the previous week's spread of \$22.76.

### **Demand**

Beef demand has been strong the last several weeks. However the beef demand and usage will slow seasonally as we move into the last weeks of July and beginning of August.

### **Corn**

On June 30, 2006, the USDA Acreage report estimated corn planted for all purposes at 79.4 million acres, only a 3% decrease from 2005. The USDA is currently projecting a yield of 149 bushels per acres. Combining this level of production, with the number of acres planted, the amount of imports and old-crop carryover, gives the second largest total supply in history. This information gives support to the currently decline in the corn market the last couple of weeks. This has likely added support to feeder cattle prices. December corn was priced around \$2.55 per bushel in March. The contract then rallied to \$2.85 per bushel in mid May and again closed at that level on June 2<sup>nd</sup>. Since that time the contract has declined slightly to \$2.71 per bushel level. Favorable weather in much of the Corn Belt is occurring, although the most recent report suggests that soil moisture conditions are beginning to become a concern in the southwestern Corn Belt region. A decline of \$.30 per bushel in the price of corn adds approximately \$2 per cwt. to an 800 pound feeder and \$4 per cwt. to a 600 pound calf price. If the price of corn remains at the present level or declines further, then a couple more dollars in the price of feeders and calves this fall is possible. One consideration, not discussed here though is the possibility of higher feed costs due to the amount of corn used in ethanol production. I did not take into account any increases in ethanol production at this time.

### **Fed Cattle Market**

The Wisconsin fed cattle trade for the week of June 26-30 was mixed 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 \$80.62, 1101-1300 was \$81.64, and 1300+ was \$81.54. For Choice Slaughter Steers on a live weight basis the weekly weighted average price was \$85.08. The weekly weighted average price for Choice Slaughter Holstein Steers on a live weight basis was \$85.39; for Select Slaughter Holstein Steers on a live weight basis, \$71.65.

The weighted average live price for the five-market area June 26-29 was at \$83.10 per cwt, up \$1.80 per cwt from a week earlier. The weighted average carcass price through June 29 for the five-market area was up \$3.05 per cwt at \$131.55 per cwt from 7 days earlier. The futures market at midmorning July 6, 2006 was at \$83 to \$92.15 for the next year. If this market is actually reflecting what will happen, we have had the low in fed cattle prices for 2006.

### **Feeder Cattle Market**

According to Glen Grimes and Ron Plain from the University of Missouri-Columbia replacement heifers weighing 800-900 pounds, bred 4 to 6 months, of average quality, and pretested for bangs, pregnancy, and age, sold for \$660-\$770 per head last week at Oklahoma City. Feeder heifers weighing 800-850 pounds sold for \$97.75-\$104.50 per cwt or \$831-\$836 per head. This suggests that, at least in Oklahoma City, these heifers would probably have returned more to the producer if they would have been held for feeder cattle.

Feeder cattle and calves are \$3-5 higher. The price ranges by weight groups at Oklahoma City this week were: 400-500 pounds \$139-\$159 per cwt, 500-600 pounds \$121-\$141.25 per cwt, 600-650 pound calves \$119.50-\$124 per cwt, 600-700 pound yearlings \$119.60-\$127.50 per cwt, 700-800 pounds \$114.50-\$122.75 per cwt and 800-1,000 pounds \$96.25-\$115.50 per cwt. At the futures markets, contracts range from \$105 to \$116. These strong prices for feeder cattle suggest the supply of feeder cattle is tight compared to demand.

Based on calculations using Kansas State University data, these cattle will lose \$36-\$94 per head if the current futures market is accurately predicting the fed cattle price at the time these cattle will be ready to slaughter. This does not include yardage fees.

### **BSE in Canada**

Canada confirmed detection of its sixth case of bovine spongiform encephalopathy, in a cow at least 15 years old. The age implies the cow was born before Canada placed restrictions on cattle feed in 1997. USDA Chief Veterinarian John Clifford said in a prepared statement that the latest Canadian case of BSE isn't expected to "cause any disruption to our trade in beef or beef products from Canada," a sentiment expressed last week by USDA spokesman Ed Loyd even before the Manitoba cow was confirmed to be infected. USDA is so confident, Clifford said, that it will not send officials to monitor Canada's investigation into the latest BSE discovery - something USDA has done for previous cases.

# Hog Update

On June 30, 2006 the USDA released the June 1, 2006 Quarterly Hogs and Pigs Report. This report was somewhat bullish compared to trade expectations; however, it still showed growth. The USDA estimate showed the total hog herd up slightly (at 60.9 million head) from a year ago, with the breeding herd (at 6.06 million head) at 101% of a year earlier, and the market herd (at 54.9 million head) up slightly from 2005. The report showed Wisconsin breeding herd numbers were 55,000 head on June 1, 2006, an increase of 5,000 head (10%) when compared to 2005. The number of Wisconsin market hogs was at 365,000 on June, 2006, compared with 380,000 in 2005 (a decrease of 4%).

The critical spring pig crop was 1.2% larger than 2005, in Wisconsin it was 7% larger than 2005. Intended US farrowings are up slightly for June-August at 2.92 million head, and are expected at 26,000 head in Wisconsin (a 4% increase). Additionally about 200,000 Canadian feeder pigs have been imported to the US in the last three months. The crop number and imports imply an additional 500,000 hogs for fall slaughter, suggesting that October-December 2006 will be the largest single quarter of pork production in US history. The good news is that total meat production of pork, beef, broiler, and turkey in the last half of 2006 is expected to be about the same if not a little lower than a year earlier.

The number of pigs saved per litter increased for the March-May period from 9.02 in 2005 to 9.08 in 2006. However, this number varies depending on the size of the operation, with the average number of pigs saved per litter for operations with 1-99 hogs being 7.6. For Wisconsin, the average number of pigs saved per litter for the March-May period was 8.70 in 2006, down from 8.75 in 2005.

Pork production has increased 7% from 2005, and slaughter has been running higher than last year, up 6% from May 2004. And weights have been up 1 pound over year earlier levels at 271 pounds.

## Hog Market

Glenn Grimes and Ron Plain expect for the third quarter, 51-52% lean hogs to average between \$45.00 and \$48.00 per cwt; the fourth quarter, between \$42.00 and \$45.00 per cwt; the first quarter of 2007, \$40.00 to \$43.00 per cwt; and second quarter of 2007, \$44.00 to \$47.00 per cwt.

Pork cutout was at \$76.36 per cwt on July 6, 2006, down \$1.36 per cwt from a week earlier. Pork product wholesale prices were mixed from last week: loins at \$93.45 per cwt were down \$1.50 per cwt, butts down \$4.31 per cwt at \$77.18 per cwt, hams up \$0.02 at \$63.11 per cwt, and bellies up \$0.10 at \$105.11 per cwt.

Live hog prices Friday morning were down \$1.00 to \$3.50 per cwt compared to last week. These top live prices for select markets were: Peoria \$44.50 per cwt, St. Paul \$50.00 per cwt, Sioux Falls \$50.00 per cwt, and interior Missouri \$48.25 per cwt. Weighted average carcass prices Friday morning were \$0.15 to \$1.22 per cwt lower

compared to a week earlier. The Friday morning prices by area were: western Corn Belt \$70.08 per cwt, eastern Corn Belt \$70.47 per cwt, Iowa-Minnesota \$70.13 per cwt, and nation \$69.93 per cwt.

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