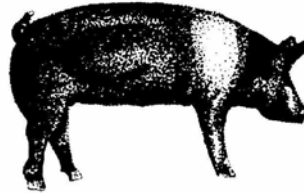


Livestock Market Update

Brenda L. Boetel

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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. and Canada

In the Cattle on Feed report issued September 23, USDA estimated the September 1 on feed inventory for feedlots with capacity of 1,000 or more head at 10.0 million head, just slightly up from 2004 and 2% above September 1, 2003. August marketings were 6% above 2004, at 2.03 million head. August posted an increase of about 1% in average daily marketings, after accounting for August 2005 having one more marketing day than August 2004. Additionally, as a percentage of the cattle on feed inventory, marketings were at 20.1%, and represented the first year-to-year improvement in the marketings pace in 2005.

It appears the seasonal low for the number of cattle on feed for more than 120 days has occurred, with a decrease of 462,000 head of cattle on feed for more than 120 days on September 1 compared to August 1. Nonetheless, 2.6 million head on feed for more than 120 days on September 1 represents an 8.2% increase compared to last year.

Feeders placed 1.99 million head on feed in August, 5% below 2004 and 16% below 2003. The lower placement number is somewhat positive for late fall to early 2006 prices. During August, placements of cattle and calves weighing less than 600 pounds were 418,000, 600-699 pounds were 385,000, 700-799 pounds were 40,000, and 800 pounds and greater were 650,000 (the only category to show an increase). The strong demand for cattle to graze southern wheat pastures and the transportation difficulties of originating feeder cattle out of the southeastern US following the recent hurricanes could slow the placement of feeder cattle into feedlots during September and October. On the other hand, cheap corn, higher slaughter cattle price, and improved

breakevens should also keep feeder cattle demand strong. Feeder cattle prices may suffer slightly in the near term but are likely to remain strong for the coming months.

Cattle on feed totals in Alberta and Saskatchewan were 21% larger than September 1, 2004 levels. Total placements were nearly double that of 2004 while marketings were 57% larger. The number of cattle on feed in Canada will likely continue to grow now that the US has reopened the border. .

Cattle Slaughter

Commercial red meat production for the US totaled 4.1 billion pounds in August, up 6% from August 2004. Beef production, at 2.32 billion pounds, was 8 percent above the previous year. Cattle slaughter totaled 2.99 million head, up 6% from August 2004. The average live weight was up 15 pounds from the previous year, at 1,267 pounds.

Beef Prices

Choice boxed beef continued its counter-seasonal rally last week, with another \$1.27/cwt increase. The Choice-Select spread widened another \$0.56 to \$11.66/cwt and is near the historical level.

Choice beef prices at retail in August were basically the same as in July by down 2.9% from August of 2004. Retail beef prices for January to August were up 1.8% from 12 months earlier.

Consumer Demand

First quarter 2005 US beef demand declined by 1.2% relative to 2004 and was up 0.6% relative to 2004. One explanation for the non-increasing beef demand is the fading popularity of the Atkins Diet. In 2004, 9% of the US population adhered to low-carb diets at the beginning of the year. By Summer 2005 this number had fallen off to 2%. Low-card food offerings are down 57% slightly for the first and third quarters of 2005 and maintained its 2004 level for the second quarter of 2005. Based on a study by the NPD Group and the Dieting Monitor there are just as many carb-conscious people as there were in 2004, and just as many people who do consider themselves carb-conscious. But, there are far less who are strictly limiting carbs. Although it is not obvious what the next dieting trend will be, low-carb dieting is still on Americans' minds, but whether they are actively following a low-carb diet or not, society has fundamentally changed its view on the desirability of protein and the acceptance of fat.

Corn

The September 12 USDA crop production report estimated corn production at 10.6 billion bushels, up 3 percent from last month but 10 percent below 2004. If realized, this would be the second largest crop on record. Based on conditions as of September 1, Wisconsin yields are expected to average 136 bushels per acre, up 6.0 bushels from the August forecast. Farmers expect to harvest 74.3 million acres of corn for grain, down 50,000 acres from August but up 1 percent from 2004.

Fed Cattle Market

The Wisconsin fed cattle prices increased last week. The weekly weighted average price for Choice Slaughter Steers on a live weight basis was \$84.85, up \$1.50 from the previous week; for Select Slaughter Steers on a live weight basis, \$80.25. The weekly weighted average price for Choice Slaughter Holstein Steers on a live weight basis was \$77.15; for Select Slaughter Holstein Steers on a live weight basis, \$70.48. Market when the cattle are ready.

According to Wayne Purcell, live cattle marketers should be short in the DEC '05 (LCZ5) futures to hedge 4th quarter marketings and short in the FEB '06 futures to hedge 1st quarter marketings.

Feeder Cattle Market

Feeder cattle prices were steady to lower at most markets last week. The price ranges in Wisconsin for medium and large frame steers were: 450-500# \$135-\$144, 500-550# \$125-\$140, 550-600# \$121-\$139, 600-700# \$115-\$135, 700-800# \$112-\$127, and 800-1000# \$95-\$125/cwt.

According to Wayne Purcell feeder cattle marketers should have closed short positions a week ago and gotten ready to get back on short positions in the NOV '05 (FCX5) futures to cover 4th quarter marketings.

Feedstuffs Market

Feed grain prices, namely corn, have declined to contract lows. River transportation is picking back up and terminals were beginning to re-open but basis levels (difference between cash and futures price) remain weak. Basis levels for corn near Minneapolis were very weak, ranging from \$0.44 to \$0.72 under. 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. The lower corn prices should support feeder prices.

Breakeven Prices

Let's assume that a feeder buys an 850 pound steer for \$117/cwt and places this steer on feed September 23. Assuming an average daily gain of 3.35 pounds, 160 days on feed, and an estimated total cost of gain of \$44.25/cwt, the feeder will have a break-even price of \$89.08. Due to variations in prices, rates of gain, etc. feeders can expect to have break-even prices between \$87 and \$91 per cwt.

Cattle TB in Minnesota

Bovine tuberculosis has been found in northwestern Minnesota beef herds and the potential that Minnesota could lose its federal status as "TB-free," is very real. The loss of this status implies that Minnesota farmers would be required to pay for additional testing if they want to ship cattle out of the state.

Hurricane Katrina

US farmers and agricultural producers may see losses of as much as \$2 billion from Hurricane Katrina, as estimates of damage to crops, farms and exports rise from the natural disaster. Direct damage to crops and livestock may exceed \$1 billion, with potentially another \$1 billion lost from delayed exports of corn and soybeans and soaring fuel prices.

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.

Border Opening may be Re-addressed

According to R-CALF, the Attorneys General of six states, Connecticut, West Virginia, New Mexico, North Dakota, South Dakota, and Montana have jointly filed an *amici curia*, in the Ninth US Circuit Court of Appeals to show support for R-CALF's petition for a rehearing in its litigation against the USDA to keep the Canadian border closed to live cattle and beef products due to Canada's problem with BSE.

Hog Update

Hog Slaughter – U.S.

According to the USDA report release September 23, pork production totaled 1.75 billion pounds, up 3% from 2004. Hog kill totaled 8.98 million head, 3% above August 2004. The average live weight was 1 pound above the previous year, at 263 pounds.

Pork Trade

The growth in pork exports continues. For July, pork exports in 2005 were up 36.9% from 2004. Pork exports for January-July were up 26.2%. This is on top of a 27% growth in 2004. Pork imports for January-July were down 9.6% from 12 months earlier.

Hog Trade

Live hog imports from Canada for January-July were down 9.5%. Feeder pig imports for this period were down 8.6%, and slaughter hog imports were down 11.6% from 12 months earlier.

Pork Prices

Retail pork prices for August were down 0.7% from July and down 2.2% from August of 2004. Retail prices for January-August were up 2.9% from the same months of 2004.

Hog Market

Hog prices are steady to lower. The top price on September 23 at St Paul was \$50/cwt, Peoria had a top of \$46/cwt. Regional average prices for September 23 were: eastern corn belt \$67.39, western corn belt \$68.08, and Iowa-Minnesota \$69.05/cwt. The national weighted average carcass price for negotiated hogs was \$67.15, down \$0.28 from the previous week.

The OCT '05 Lean Hogs contract was down up \$0.82 at \$65.32/cwt Monday, September 26 in early trading Tuesday. The DEC '05 was down \$0.77 to \$62.27/cwt.

Cold Storage

In August the cold storage was down 7% from last month, but up 45% from the end of August 2004.

Soybeans

Soybean production is forecast at 2.86 billion bushels, up 2% from the August forecast but down 9% from the record crop of 2004. Based on September 1 conditions, Wisconsin yields are expected to average 36 bushels per acre, up 1 bushel from August.

Basis levels for soybeans in 15 markets near Minneapolis were very weak. Soybean basis ranged from \$0.46 to \$0.81 under. This would put the cash price for beans at or below the \$5.00/bu mark in many cases! As soybean harvest gears up, prices below \$5.00/bu may be expected.

Outlook

Last week was not a good week for packers. Unless product prices improve, which is not likely with this week's slaughter hog prices, they will be under downward pressure as the week progresses. Another negative for live hog prices this fall is the amount of cold storage stocks of pork. Risk can still be carried in the cash market, but be on the lookout for the technical signs to place short hedges.

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.

Brenda Boetel can be reached at Brenda.boetel@uwrf.edu or 715-425-0702.