Livestock Monitor

A Newsletter for Extension Staff
Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . . August 28, 2009

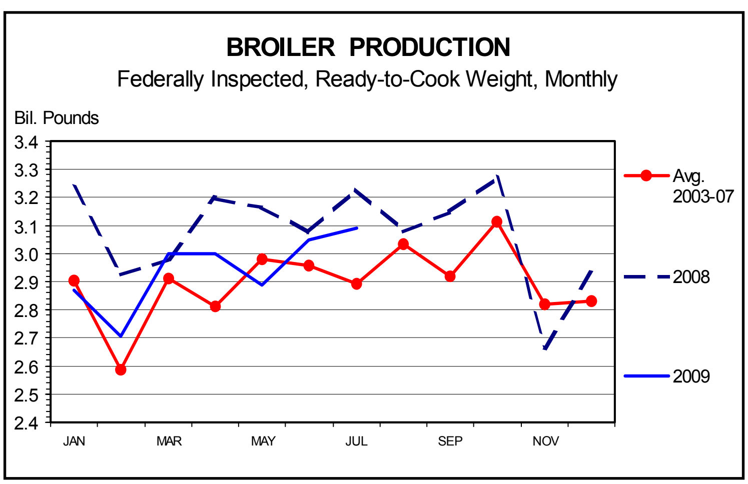
Production	Last	Year Ago	Prices	Last	Week Ago	Year Ago
Week Ending 08/28/2009			**Weekly Average ($/Cwt)**			
FI Cattle Slaughter (Thou Hd)	654	677	Live Steer	84.43	82.91	98.81
FI Hog Slaughter (Thou Hd)	2196	2228	Dressed Steer	131.67	130.94	155.65
FI Sheep Slaughter (Thou Hd)	43	48	Choice Beef Cutout	143.67	142.15	161.23
Live Y. Chicken Sl. (Mil Hd)	164.0	167.4	USDA Hide/Offal	9.44	9.31	11.82
			GA Auction Fdr. Str. (6-7 Cwt.)	91.61	92.39	96.29
Slaughter Cattle Live Weight	1293	1291				
Slaughter Hog Live Weight	268	262	Iowa/S. Minn. Base Hog	46.07	46.85	74.25
Slaughter Lamb,/Sheep Live Wt.	136	130	Natl. Net Hog Carcass	52.05	52.32	80.72
			Feeder Pigs (40-50 Lbs) ($/Head)	14.70	13.47	35.82
Beef Production (Mil Pounds)	514.2	528.7	Pork Cutout	56.55	52.31	82.80
Pork Production (Mil Pounds)	440.1	436.0				
Lamb, Mutton Prod. (Mil Lbs.)	2.9	3.1	Lamb Cutout	211.79	218.77	244.09
Previous 6 Wk. Moving Avg.			Corn, Omaha ($/Bu)	3.14	3.11	5.53
Total Beef (Mil Lbs)	501.6	523.9	Wheat, Portland ($/Bu)	4.93	4.83	8.14
Total Pork (Mil Lbs)	430.9	421.2	Wheat, Kansas City ($/Bu)	4.70	4.64	7.89
Total Lamb, Mutton (Mil Lbs)	2.9	3.0	Soybeans, S. Iowa ($/Bu)	11.14	10.48	12.79

Source: Various USDA-AMS reports. Some data are preliminary.

Trends . . . BROILER PRODUCTION STILL BELOW A YEAR AGO

USDA-NASS reported that U.S. monthly broiler production for July was below a year ago, as expected given industry contraction over the last year. Much of the year-to-year decline was due to a smaller number of birds, as bird weights were even with a year ago and the number of slaughter days was equal to 2008. Looking ahead, year-to-year declines in bird slaughter numbers will continue for at least into the fall quarter, however the declines will be more modest than posted earlier in the year as the industry has returned to profitability and eases their contraction efforts.

According to the report, monthly broiler production (ready-to-cook basis) was down four percent from last year in July, but was still nearly 7 percent higher than the 2003-2007 average. Of note, the July production number was the largest reported thus far this year. For the first seven months of 2009, broiler production (ready-to-cook basis) was down about 6 percent from the prior year, but was still nearly 3 percent higher than the 2003-2007 average. Based on preliminary weekly data U.S. broiler production for August should be a modest 2 to 3 percent lower than 2008's.



Compared to a year ago, for the third quarter of 2009 broiler production is forecast to be down around 4 percent but could be nearly unchanged in the fourth quarter. For the year, U.S. broiler production will be about 4 percent smaller than 2008's and the smallest since 2005. In 2009, U.S. broiler production will be below a year earlier for the first time since 1973. Continued profitability coupled with improved economic conditions will support larger broiler production in 2010; currently the LMIC forecasts a 2 to 3 percent annual increase compared to 2009's.

CANADIAN INVENTORY UPDATE

In late August, Statistics Canada released the July 1 Hog and Cattle Inventory numbers which showed the total number of hogs and cattle continued to decline relative to prior years. As noted by Statistics Canada, the decline in numbers can be attributed to a number of factors including higher feed costs, low commodity prices, a strong Canadian dollar, drought conditions and the economic recession in the domestic and global markets. In addition, according to the Canadian report, the implementation of COOL legislation in the U.S. has contributed to herd downsizing particularly in those provinces that depend heavily on hog exports to the U.S.

According to the report the total number of hogs on July 1st was 12.1 million head, about 875 thousand head or 6.7 percent smaller than a year ago. The Canadian breeding herd was reported at 1.4 million head, 4.6 percent smaller than 2008, the smallest quarterly breeding herd reported since July 2000. The number of sows farrrowed in the second quarter of 2009 was down about 7 percent, with the pig crop a little more than 6 percent smaller than a year ago. Of note, producers intend to farrow 4 to 6 percent fewer sows during the balance of 2009. As of July 1, Canada reported the number of market hogs at 10.7 million head versus 11.5 million head last year, a 7 percent decline and 18 percent smaller than 2007's. Looking ahead, U.S. feeder pig and slaughter hog imports from Canada will continue to remain well below a year ago for the balance of 2009 and probably longer.

As of July 1st, the Canadian cattle herd was at 14.8 million head versus 15.2 million head a year earlier. That was a decline of 2.3 percent in the last year and was 6.2 percent below 2007's mid-year inventory. Canada has now posted four consecutive years of declining cattle numbers. According to the report, the number of beef cows was down 5.6 percent from last year, while the number of dairy cows was similar to a year ago. Producers reported that the number of beef heifers held as replacements was down 2.5 percent from 2008, while the beef calf crop was nearly 3 percent smaller than a year ago.

HOG PRICE REPORTS

USDA-AMS collects and reports a number of prices related to slaughter hogs as directed by Mandatory Price Reporting legislation. AMS reports the base price, formula price, negotiated price and net price to name just a few on a national basis as well as some additional reports on a regional basis. Hog prices are reported as either prior day (most common) or current day that are based on morning prices.

On note is the distinction and relationships between the national weighted average "net" price and the national weighted average "base" price paid for slaughter hogs. The base price is the price paid for slaughter hogs before any premiums or discounts, whereas the net price is the base price plus all premiums received less any discounts incurred, on a carcass weight basis. Since the net price is calculated off the base price, the net price typically holds a premium to the base, which usually ranges between $2.00 and $2.70 per cwt. Last year the average net to base premium was $2.35 per cwt., which was very similar to the prior five-year average. So far this year, the net price has averaged a $2.14 per cwt. premium to the base price.

Many USDA-AMS hog price reports summarize various types of transactions. For example, the "average" national prior day slaughter price includes: 1) producer sales on a negotiated basis; 2) three categories of producer sales using formulas and agreements; and 3) two categories of hog sales by firms that are also packers. Of interest this year is how the negotiated average price has performed relative to the weighted average base price of all transactions. This year, the spread between the negotiated base price and the average weighted base price has been wider than normal. The negotiated base price normally ranges between a $1.00 per cwt. discount to more than a $2.00 per cwt. premium to the average base price based on 2002-2007 average prices. This year, the negotiated price has ranged from a $0.03 per cwt. premium to a discount of nearly $5.00 per cwt., with the largest discounts occurring this summer. In fact, in August the negotiated price was more than $4.00 per cwt. below the average base price versus a $1.27 per cwt. premium last year and a 2002-2007 average premium of about one dollar.