Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

September 22, 2006

Production

Week Ending 9/23/2006	Last	Year Ago
FI Cattle Slaughter (Thou Hd)	655	642
FI Hog Slaughter (Thou Hd)	2133	2097
FI Sheep Slaughter (Thou Hd)	49	53
Live Y. Chick Sl. (Mil Hd)	166.5	169.2
Slaughter Cattle Live Weight	1281	1282
Slaughter Hog Live Weight	265	267
Slaughter Lamb/Sheep Live Wt.	130	136
Week Ending 9/23/2006		
Beef Production (Mil Pounds)	512.9	500.9
Pork Production (Mil Pounds)	419.4	414.8
Lamb, Mutton Prod. (Mil Lbs.)	3.2	3.6
Previous 6 Wk. Moving Avg.		
Total Beef (Mil Lbs)	518.0	498.9
Total Pork (Mil Lbs)	398.3	390.2
Total Lamb, Mutton (Mil Lbs)	3.1	3.3

Prices

Weekly Weighted Avg.	Last	Week Ago	Year Ago
Live Steer	86.21	88.43	86.00
Dressed Steer	136.37	138.42	135.29
Beef Cutout (Choice 600-750)	142.09	147.26	140.34
USDA Hide/Offal ($/Cwt)	8.41	8.48	8.24
GA Auction Fdr. Str. (6-7 Cwt.)	104.45	105.89	103.71
Iowa/S. Minn. Base Hog (Wtd. Avg)	65.18	68.19	67.29
Natl. Net Hog Carcass (Wtd. Avg)	67.58	68.51	67.04
Feeder Pigs (40-50 Lbs)	50.01	50.18	49.09
Pork Cutout (185 Lbs)	69.82	73.36	71.36
Lamb Cutout ($/Cwt)	208.79	209.08	212.85
Corn, Omaha ($/Bu)	2.20	1.99	1.54
Wheat, Portland ($/Bu)	4.36	4.21	3.52
Wheat, Kansas City ($/Bu)	4.53	4.34	3.86
Soybeans, S. Iowa ($/Bu)	5.22	5.20	5.30

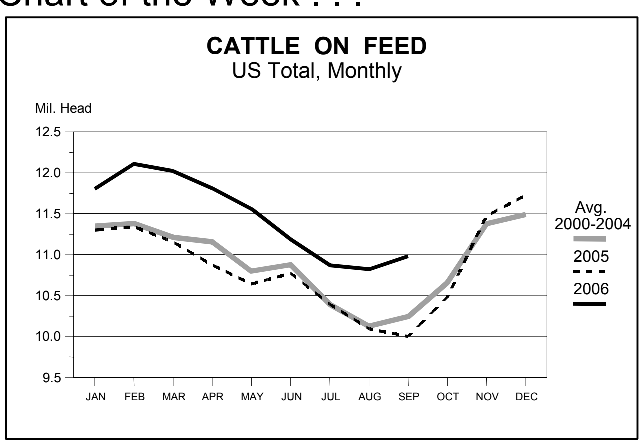
Trends . . . CATTLE ON FEED INVENTORY BOLSTERED BY DROUGHT

USDA-NASS recently released (September 22nd) the monthly Cattle on Feed report. The report showed that placements of cattle into U.S. feedlots continued to be bolstered by lingering effects of drought. USDA reported the overall U.S. cattle on-feed on September 1st at 10 percent above a year ago. Even with record large numbers of cattle on-feed as of September 1st, cattle markets in the near term will focus on wholesale prices and daily slaughter levels. Those factors could keep slaughter cattle prices mostly on the defensive.

Placements of cattle into feedlots during August were reported at 15 percent above a year ago. But last year placements during August of last year were small. Importantly, all of the year-to-year increase in placements was in cattle weighing less than 700 pounds. So, even though placements were well above a year ago and about 5 percent above the average pre-report estimate, those numbers should not be a major concern. Of course, that assumes that in coming months placements will not post large percentage increases and should show some year-to-year declines.

USDA reported feedlot marketings during August a little larger than expected. But, the markets will likely ignore that number. Marketings were less than one percent above the average pre-report estimate and the increase likely just reflects that proportionally more-and-more of the cattle on-feed are in commercial feedlots and are accounted for in the Monthly USDA report (less than 1,000 head capacity feedlots are

Chart of the Week . . .



not included in the monthly Cattle on Feed report).

LIVE TO CUTOUT BEEF SPREAD

The difference between the purchase price of a slaughter steer and the wholesale value (Choice boxed beef cutout) plus the byproduct value (total value of non-meat items) is referred to as the live to cutout spread. The live to cutout spread provides an estimate for beef packer gross margins, but because it does not account for any packer-incurred costs (direct or indirect), the spread does not represent beef packer profitability.

As a result of the seasonality in the demand and supply for cattle and beef, the live to cutout spread is particularly seasonal in nature. Typically, during the first half of the year the spread will widen, peak in April or May and then narrow for the remainder of the year. This year, the live to cutout spread steadily widen during the first few months of the year and then peaked in record territory in June at $233.42 per head. Since June, the spread sharply declined during the following two months, but was still well above 2005's depressed level. In July, the spread was at $210.76 per head, about $98 per head wider than last year and 46 percent higher than the 2000-2004 average. In August, the live to cutout spread declined to $149.51 per head, about $32 per head wider than last year and slightly below the 2000-2004 average.

The gross packer margin is gauged by the live to cutout spread. Packer margins were surprisingly strong this spring and early summer. But, margins weakened quickly in August and by late in the month were below 2005's. In September packer margins have remained below a year ago. Looking ahead, for the balance of 2006, packer margins may be similar to 2005's, which was below average.

U.S. WEEKLY CATTLE IMPORTS

Weekly imports of feeder and slaughter cattle from Canada have returned to a more normal pre-BSE seasonal pattern, as Canadian producers appear to have worked through the reopening of the U.S. border last July. Thus far this year, U.S. feeder and slaughter cattle imports from Canada declined seasonally during the spring and summer months, but have begun to increase in recent weeks. At the same time, cattle imports from Mexico have also started to seasonally increase with imports thus far this year running above a year ago.

Based on weekly data, as of mid-September U.S. feeder cattle imports from Canada this year were about 216 thousand head or an average of 5800 head per week. Compared to a more normal year, the U.S. imported about 280 thousand head by mid-September with a weekly average of 7575 head per week in 2002 and around 120 thousand head in 2001 or around 3200 head per week. Just looking since the border reopened last year, U.S. feeder cattle imports from Canada during mid-July to mid-September were running at half the level of a year ago.

U.S. slaughter cattle imports from Canada through mid-September were close to 445 thousand head or an average of 12,000 head per week. Slaughter cattle imports for the respective period this year were notably smaller when compared to non-trade disrupted years. For example, in 2002 annual slaughter cattle imports were at 515 thousand head by mid-September or 16 percent above thus year. So far this year, slaughter cattle imports on a weekly basis peaked at 15.3 thousand head in mid-September. Seasonal increases are expected this fall, but imports at times be a little below 2005's.

As of mid-September, U.S. feeder cattle imports from Mexico have averaged about 5 percent or around 43,000 head above 2005's. On a weekly average basis, imports this year have been about 1100 to 1200 head more per week than last year. U.S. imports of Mexican feeder steers are running 19 percent higher than the 2000-2004 average. Imports are expected to seasonally increase in the fourth quarter, but may not be much different than a year ago.