

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

June 26, 2009

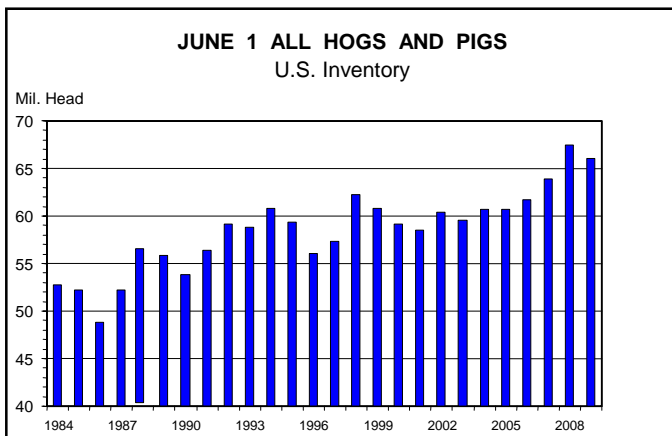
Production			Prices			
Week Ending 06/27/2009	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	673	713	Live Steer	80.74	81.73	98.28
FI Hog Slaughter (Thou Hd)	2032	2140	Dressed Steer	129.61	129.88	154.72
FI Sheep Slaughter (Thou Hd)	39	43	Choice Beef Cutout	139.71	140.00	164.25
Live Y. Chicken Sl. (Mil Hd)	160.5	166.9	USDA Hide/Offal	7.23	7.36	11.40
			GA Auction Fdr. Str. (6-7 Cwt.)	90.68	89.69	95.39
Slaughter Cattle Live Weight	1268	1268	Iowa/S. Minn. Base Hog	57.23	56.77	73.79
Slaughter Hog Live Weight	271	265	Natl. Net Hog Carcass	61.45	61.07	76.22
Slaughter Lamb./Sheep Live Wt.	142	136	Feeder Pigs (40-50 Lbs) (\$/Head)	21.18	26.05	23.03
Beef Production (Mil Pounds)	516.2	550.0	Pork Cutout	54.85	56.26	79.77
Pork Production (Mil Pounds)	412.0	423.1	Lamb Cutout	229.78	229.56	239.99
Lamb, Mutton Prod. (Mil Lbs.)	2.8	2.9	Corn, Omaha (\$/Bu)	3.62	3.74	7.16
Previous 6 Wk. Moving Avg.			Wheat, Portland (\$/Bu)	5.69	5.78	8.48
Total Beef (Mil Lbs)	511.4	526.0	Wheat, Kansas City (\$/Bu)	5.73	6.00	9.00
Total Pork (Mil Lbs)	410.8	408.6	Soybeans, S. Iowa (\$/Bu)	12.16	11.86	15.37
Total Lamb, Mutton (Mil Lbs)	3.0	3.0				

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

Trends . . . QUARTERLY HOGS AND PIGS BELOW A YEAR AGO

On Friday, June 26th, USDA-NASS released the June 1 Quarterly Hogs and Pigs report, which reported the total number of hogs and pigs in the U.S. at 66.1 million head, a 2 percent or 1.3 million head year-to-year decline. According to the report, it appears producers are in the initial stages of a herd contraction. Producer intentions suggest breeding herd reductions in the coming months, which may become larger than USDA reported given current market conditions.

As reported by USDA, as of June 1st, the breeding herd was 5.97 million head, down 3 percent from a year ago and just slightly below the prior quarter. Sow slaughter has averaged well below a year ago this year, therefore the breeding herd number was not expected to change much from the prior quarter and was in line with pre-report estimates. Producers farrowed 3 percent less sows in the March to May quarter, but with another record high pigs per litter number of 9.61, the pig crop was just a tad smaller than last year. Looking ahead, compared to a year ago, producers reported they intend to farrow 2 to 3 less sows this fall however, that number may actually be lower since the surveys were conducted during May and the market outlook as deteriorated since.



Slaughter hog supplies are forecast to be smaller in 2009, as the number of market hogs reported at 60.1 million head was down 2 percent (1.6 million head) from 2008. Of note, the number of market hogs was up from the prior quarter, which further suggests producers are not retaining as many hogs as prior years.

Also, below year ago imports of feeder pigs and slaughter hogs from Canada are expected to continue throughout 2009, further reducing the available supply of slaughter hogs in the U.S. this year.

Current LMIC forecasts suggest U.S. hog slaughter for 2009 will be down about 4 percent from last year, but still the second largest ever. Pork production should be about 3 percent smaller than 2008's due to slightly heavier hog weights this year. Tighter supplies should be supportive to hog prices, however current domestic and foreign demand for pork are lethargic, thus LMIC forecasts the 2009 slaughter hog prices will be down about 4 percent from last year.

CATTLE BYPRODUCT VALUES

The byproduct value is comprised of the total value of all the non-meat items gathered from an animal after processing such as liver, tallow and hide. Those items are an essential part of beef packer returns and therefore impact cattle prices. Last year, byproduct values soared to record highs driven by high oil and feedstuff prices as well as a low U.S. dollar. However, as the global and domestic economy collapsed so did the value for those products. Although, recent increases in oil and feedstuff prices have provided some support to byproduct values, large declines compared to 2008 persist.

During the first six months of last year, the byproduct value on a live steer basis was nearly a \$1.00 per cwt. live basis more than in 2007. The steer byproduct value during the first six months of 2009 averaged about \$4.00 per cwt. lower than the respective period in 2008, a near 40 percent yearly decline. After peaking at \$12.00 per cwt. in July last year the steer byproduct value fell below a year ago last fall, hitting a record low of \$5.90 per cwt. in March of this year (series dates back to 1990). By June, the steer byproduct strengthened some to slightly above \$7.00 per cwt. but was still nearly \$4.00 lower than the prior year. Of note, the largest decline has been posted by the hide having averaged about half the value of last year.

Similar to the steer byproduct value, the byproduct value for slaughter cows on a live basis hit a record last July at \$10.81 per cwt., but softened through the remainder of 2008, falling to record low of \$5.31 per cwt. in December (series dates back to 1999). So far this year, the cow byproduct value has improved each month (despite some weakness in March) climbing to over \$7.00 per cwt. (live basis) in June, but still about \$3.00 per cwt.

less than a year ago. For the first six months of 2009, the cow byproduct value averaged about \$6.25 per cwt. compared to the near \$10.00 per cwt. posted in the first half for 2008, a yearly decline of about 38 percent. The year-to-year decline in the cow byproduct value has been a key contributor to lower slaughter lower cow prices so this year, a trend that is expected to continue throughout 2009.

COW SLAUGHTER

Last year, in response to a number of factors (i.e. drought and rising costs) the U.S. beef cattle industry reduced the breeding herd. The dairy industry which has been facing rising costs and low milk prices since late last year, has begun contracting this year. Thus, total cow slaughter so far this year has averaged above last year, due to a larger number of dairy cows in the slaughter mix. However, smaller numbers of beef cows in the mix have helped to offset the annual increase in dairy cow slaughter.

As of mid-June (latest actual slaughter data), Federally Inspected (FI) total cow slaughter on a weekly average basis was about 3 percent higher than last year and nearly 16 percent larger than the 2003-2007 average. FI beef cow slaughter for this period was down on average about 6 percent from 2008, but still around 13 percent larger when compared to the prior five-year average. At the same time, dairy cow slaughter through mid-June was 15 percent above a year ago and nearly 20 percent larger than the 2003-2007 average. Of note, dairy cows have accounted for nearly half of the total cow slaughter mix this year, which is up from about 40 percent for the same timeframe last year.

Slaughter cow imports from Canada factor into the total U.S. cow slaughter mix as well. So far this year (latest weekly trade is for weekending June 13th), slaughter cow imports have been slightly above last year, about 2 percent or 1100 head. Most of the year-to-year increase was in the first quarter of this year as U.S. weekly cow imports have been well below a year ago since the start of April. The recent decline in imports has also helped to counteract the increased number of domestic dairy cows in the mix this year. However, U.S. slaughter cow imports could increase this summer, as drought in western Canada has been severe.