

Livestock Monitor

A Newsletter for Extension Staff

Livestock Marketing Information Center

State Extension Services in Cooperation with the USDA

Market Indicators . . .

April 4, 2011

Production			Prices			
Week Ending 4/2/2011	Last	Year Ago	Weekly Average (\$/Cwt)	Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	640	631	Live Steer	121.57	114.26	96.25
FI Hog Slaughter (Thou Hd)	2128	2164	Dressed Steer	199.03	187.63	155.81
FI Sheep Slaughter (Thou Hd)	44	56	Choice Beef Cutout	188.06	187.66	163.47
Live Y. Chicken Sl. (Mil Hd)	158.0	157.9	USDA Hide/Offal	13.53	13.53	10.22
			GA Auction Fdr. Str. (6-7 Cwt.)	129.25	124.53	104.14
Slaughter Cattle Live Weight	1282	1264	Iowa/S. Minn. Base Hog	86.69	82.47	69.39
Slaughter Hog Live Weight	278	272	Natl. Net Hog Carcass	86.44	84.10	69.24
Slaughter Lamb/Sheep Live Wt.	148	121	Feeder Pigs (40 Lbs) (\$/Head)	79.64	81.09	77.13
Beef Production (Mil Pounds)	492.3	478.9	Pork Cutout	94.35	93.06	73.25
Pork Production (Mil Pounds)	443.7	441.0	Lamb Cutout	366.00	357.82	249.87
Lamb, Mutton Prod. (Mil Lbs.)	3.2	3.4	Corn, Omaha (\$/Bu)	7.12	6.61	NQ
Previous 6 Wk. Moving Avg.			Wheat, Portland (\$/Bu)	7.60	NQ	NQ
Total Beef (Mil Lbs)	490.8	476.8	Wheat, Kansas City (\$/Bu)	8.30	7.76	NQ
Total Pork (Mil Lbs)	444.0	440.2	Soybeans, Cntrl IL (\$/Bu)	14.06	13.48	9.43
Total Lamb, Mutton (Mil Lbs)	2.9	3.5				

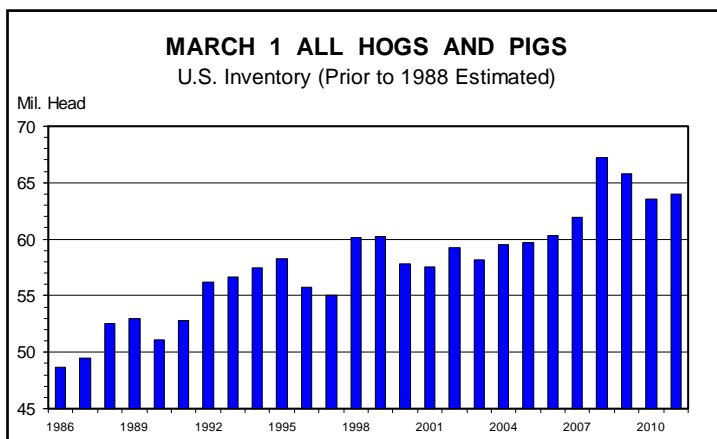
Source: Various USDA-AMS reports. Some data are preliminary.

Trends . . . USDA'S HOGS & PIGS REPORT INDICATES TIGHT SUPPLIES

According to the Quarterly Hogs and Pigs report released by USDA-NASS on Friday, March 25th, the total number of hogs and pigs in the U.S. as of March 1st was 63.96 million head. That was about 0.6 percent above last year and about one percent less than reported on December 1, 2010. Overall, the report was similar to industry expectations and reaffirmed that hog producers have yet to move forward with significant herd expansion.

As of March 1st, the breeding herd was estimated at 5.79 million head, slightly larger than a year ago (up 28,000 head) and 10,000 head above the prior quarter. In the December to February quarter, producers farrowed about one percent less sows than a year ago. Importantly, for the winter quarter pigs per litter was reported at 9.80, another record. Thus, the December to February pig crop was just over one percent larger than a year ago, but still two percent below 2009's. The trend of more pigs per litter is expected to continue, adding to the supply of market hogs despite the smaller breeding herd. Producers intend to farrow about three percent less sows through this summer; a number that seems a little low given the recent resurgence in producer profitability.

Based on the report, and forecasts about U.S. hog and pig imports from Canada, slaughter



hog supplies are expected to be slightly below last year for the balance of 2011, and then transition to above a year earlier in 2012. The number of market hogs on March 1, at 58.18 million head, was 0.6 percent larger than last year, but one percent less than on December 1, 2010. Looking ahead, LMIC forecasts U.S. hog slaughter will drop one percent for calendar year 2011, however heavier average dressed weights will result in pork production slightly over 2010's.

Continued strong pork export demand will combine with only a slight increase in U.S. pork production keeping per capita pork domestic supply below a year earlier into 2012. So, slaughter hog prices are forecast to average about 15 percent above last year in 2011, making this year the second consecutive year of record high hog prices.

USDA CROP REPORTS

Since early this year, markets had been looking ahead for the USDA-NASS Prospective Plantings report which was released on March 31st. That report largely matched pre-report estimates. Importantly, the report showed U.S. farmers intend to plant over 92 million acres of corn, the second highest on record. However, a market surprise was provided in the grain stocks report that released simultaneously with Prospective Plantings. USDA-NASS reported lower than anticipated March 1 corn stocks, dramatically pushing up both futures market and cash corn prices.

USDA indicated planted acreage will be increased for corn, wheat and cotton, while soybean acreage is expected to decrease by 1%. Farmers plan to increase corn plantings by 5% or nearly 4 million acres. Only five states expect to have decreased corn acres. U.S. acreage of wheat and cotton will increase significantly in 2011. Soybean plantings, although only down 1% nationally compared to 2010, will decline especially in the southeast states.

Cattle, dairy and sheep producers will face declining hay supplies in 2011-12 if hay acreage harvested this summer declines in-line with farmer intentions. Nationally, farmers intend to harvest about 900,000 less hay acres than in 2010 (down 1.5%). If realized, that acreage will be the lowest since 1994.

March 1 U.S. grain stocks were lower than expected, showing a year-to-year decline of 15% in corn. Normally, a relatively small change in corn stocks (170 million bushels) would not be a market mover, however given already tight stocks, markets responded with gusto. Soybeans and wheat stocks also were below a year-ago, down 2% and 5%, respectively.

Although prospective plantings did show an increase in corn acreage, feedstuff markets will

likely remain volatile due to very low stocks. Spring weather may influence actual plantings. The next USDA crop acreage report will be released on June 30th. Strong demand in grain markets is clearly still driving prices. Forecasts suggest year-on-year increases in feed grain prices will persist at least throughout calendar year 2011.

VIEW ON RESTAURANTS

Nearly 50% of U.S. household spending on food is for items consumed away from home, much of which is at restaurants. Animal protein prices are very dependant on restaurant sales, which in-turn are dependent on the broader economic environment. U.S. Federal government data and industry reports indicate U.S. restaurant sales continue to struggle compared to pre-recession levels. However, there have been some recent signs of modest improvement. Increased economic activity at U.S. restaurants will be required to support price expectations currently in red meat markets.

One data set monitored by the LMIC is and index of restaurant stock prices as a proxy for expected improvements in restaurant earnings. Those data are compiled and published for 52 publicly traded firms by the National Restaurant News. The NRN Restaurant Index (NRN) includes all types of firms, from "fast food" to "white table cloth."

Of course, earnings are the result of both restaurant sales and their costs. It appears many restaurants have benefited from managing their costs over the last year. Over the last 12-months, 11 (21%) of the NRN firms posted a lower stock price. However, during the last 3-months 22 (42%) of the restaurants experienced stock price declines. Some individual restaurant stocks have realized huge price gains. Indexes of U.S. stock prices have been trending higher, for example, over the first three months the Dow Jones Industrial Index (DOW) was up six percent. The NRN for that same timeframe also increased about six percent. In contrast to the recent months, over the last 12-month period the NRN performed rather well increasing 24% compared to the DOW's 13% rise.