



Beef Cattle Price Comments

(Revised 10 April 2002)

Kenneth N. Wegenhoft

Extension Economist

Prices are expected to be at profitable levels for Louisiana cattle in the Fall of 2002.

The prospects for winter grazed animals coming off grass this spring are very un-certain.

Current Situation:

The current situation (March-first week in April) is marked by fluctuating beef prices which are then passed through to fat cattle and feeder cattle prices. This morning's (8 April 2002) mixed steer/heifer live price was reported at \$69.72 per cwt.

January-February commercial beef production is estimated at 4,317 million pounds, up 6% from the same period in 2001. The latest Cattle on Feed report indicate falling cattle on feed numbers, declining placements and declining marketing. However, cattle slaughter weights for steers, heifers, cows and bulls & stags are significantly higher than in the past. This is leading to large amounts of beef on the market.

Currently, there is little incentive to market fat cattle at lighter weights. The cost of feeding is reasonable, there are little price discounts based on carcass weights and the ability to move more cattle into the choice grade with a higher value all lead to feeding to heavier live and carcass weights.

Feeders have been losing significant amounts of money through February 2002 and are forecast to make a very small positive margin in March 2002. This loss in equity reduces the feeder's ability to purchase feeder cattle and carry them through the feeding period. The feeding losses are based upon the high prices paid for feeder cattle at the start of the feeding period.

The combination of very recent equity losses by feeders, larger amounts of beef available due to larger carcass weights for all slaughter classes and a somewhat lack of current movement out of feedlots is contributing to uncertain current live cattle and feeder cattle prices.

Total red meat and poultry production for 2002 is forecast to be 83.351 billion pounds in the March World Supply Demand Estimates up from 82,881 million pounds estimated for 2001 and 82,577 million pounds for 2000. Beef production has been falling from an estimated 26,777 million pounds in 2000 and 26,087 million pounds in 2001 to a projected 25,625 million pounds for 2002. However, pork production is increasing each year from 18,928 million pounds in 2000 to 19,138 million pounds in 2001 to 19,190 million pounds in 2002. Broiler production is forecast to increase from 30,495 million pounds in 2000 to 31,167 million pounds in 2001 and to a projected 32,050 million pounds in 2002.

The large supplies of competing meats will limit somewhat improvement in beef prices. On the positive side, demand for beef for outdoor cooking should increase as we move into spring and early summer. The negative side is that beef production is projected to increase during the 2nd and 3rd quarters (spring and summer).

The uncertainty in the national economy has affected retail chain buyer's perception of what beef demand will be. Therefore, they are being cautious in their purchasing.

10 April Addition: In addition, a conservative attitude on the part of feeders and lenders who may be/are concerned about potential reductions in value of owned or financed animals based on rumor and/or fact of potential (however remote) bio-terrorism events and disease outbreaks (Foot and Mouth Disease, BSE) is probably contributing to the uncertainty in the market. Packers and retailers are also uncertain about the value of their inventories in the event of negative public reaction to an event that may affect the safety of their meat supply. Uncertainties as to the consequences of an event contribute to wild market movements because the effect is not known.

However, so far calf prices this spring are not showing the same price movements as feeder and fat cattle. Calf prices seem to be following the normal seasonal patterns.

Fall 2002

Cull cow and bull prices are expected to be higher in the last quarter of 2002 compared to the last quarter of 2001. USDA's March 2002 World Supply and Demand Estimates are projecting fat cattle prices in the last half of 2002 to be above fat cattle prices in the last half of 2001 and the first quarter of 2002 which is expected to support calf prices this fall.

In addition, the declining number of beef cows reported in the January Cattle Inventory will be producing a smaller spring calf crop which should be supportive of stable to slightly higher fall calf prices.

The planting intentions report indicates an increase in corn acreage for 2002. This currently implies increased corn production this fall which will keep costs of feeding low. Low costs of feeding support calf prices.

An improving national economy during 2002, will also be supportive of profitable calf and cow prices this fall.

If the industry can get past the negative price impacts of the large amounts of beef being produced currently and the economy improves as hoped, fall calf and cow prices can be poised for price strength this fall.

However, it is still too early and the economic indicators for the beef industry and the general economy are still too confused to have much confidence for a fall calf price rally.

Never-the-less, given the current indications cow-calf producers should be profitable this fall.