

August 2002 Beef Cattle Price Comments

Kenneth N. Wegenhoft

The August 2002 World Agricultural Supply and Demand Estimates released 12 August is presented below.

WASDE-389-28
U.S. Quarterly Animal Product Production 1/

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Year      :      : Red      :      :      : Total : Red      :      :      :
and       :      : meat    :      :      : poultry:meat & :      :      :
quarter  : Beef : Pork   : 2/   :Broiler:Turkey: 3/   :poultry: Egg   : Milk :
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                                     Million pounds                               Mil doz   Bil lbs
2001
  III : 6723  4548  11371  7882  1394   9406  20777  1788  40.6
  IV  : 6700  5239  12048  7863  1454   9444  21492  1829  40.8
  Annual : 26107 19138 45663 31266 5562 37343 83006 7152 165.3
  :
2002
  I   : 6376  4779  11259  7855  1385   9372  20631  1767  42.3
  II* : 6833  4800  11733  8223  1446   9807  21540  1789  44.0
  III* : 7050  4800  11947  8075  1400   9605  21552  1800  41.8
  IV* : 6500  5400  12005  8050  1425   9600  21605  1830  41.9
  Annual :
  Jul Proj : 26606 19779 46791 32205 5635 38347 85138 7157 169.8
  Aug Proj : 26759 19779 46944 32203 5656 38384 85328 7186 170.0
  :
2003
  I*  : 6200  4925  11229  8075  1350   9550  20779  1770  43.2
  II  : 6525  4825  11447  8400  1450   9980  21427  1790  44.5
  Annual :
  Jul Proj : 25125 20000 45520 33000 5675 39175 84695 7210 172.5
  Aug Proj : 25225 19850 45470 33000 5675 39175 84645 7210 172.0
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* Projection.

1/ Commercial production for red meats; federally inspected for poultry meats.

2/ Beef, pork, veal and lamb & mutton. 3/ Broilers, turkeys and mature chicken.

The new report indicates a small increase in beef production for 2002 and 2003 from last month's report. This is due to early movement of calves into feedlots caused by drought conditions. As a result, the top of the average annual price estimates for 2002 and 2003 were reduced \$0.01. Pork production for 2003 was reduced slightly. A very small reduction in 2002 broiler production plus an increase in turkey production resulted in increased Total Poultry production for 2002. In summary, Total Red Meat and Poultry for 2002 is projected up slightly from July. Total Red Meat and Poultry for 2003 is projected down slightly from July due to reduced pork production next year.

Beef export projections were revised upward for both 2002 and 2003. Ending stocks for beef in 2002 are projected to increase slightly even though exports are expected to increase, due to increased production and slightly reduced consumption. In 2003, the increased production and carryover from 2002 is expected to be handled by increased exports and domestic consumption.

WASDE-389-29
U.S. Meats Supply and Use

=====									
: Supply : Use									
:-----									
: : : : : : : Consumption									
: : Pro- : : : : : : :-----									
: Beg- : duc- : : : : : : End- : : Per									
Item	:	inning:	tion :	Im- :	Total :	Ex- :	ing :	:	capita
	:	stocks:	1/ :	ports :	supply:	ports:	stocks:	Total :	2/ 3/
=====									
: Million pounds 4/									
BEEF									
2001	:	525	26212	3164	29901	2269	606	27026	66.2
2002 Proj.	Jul :	606	26711	3232	30549	2292	425	27832	67.4
	Aug :	606	26864	3232	30702	2377	550	27775	67.3
2003 Proj.	Jul :	425	25230	3275	28930	2400	350	26180	62.8
	Aug :	550	25330	3275	29155	2440	350	26365	63.2
PORK									
2001	:	478	19160	951	20588	1560	536	18492	50.2
2002 Proj.	Jul :	536	19801	960	21297	1472	575	19250	51.7
	Aug :	536	19801	1020	21357	1472	575	19310	51.8
2003 Proj.	Jul :	575	20022	960	21557	1550	600	19407	51.6
	Aug :	575	19872	1020	21467	1550	600	19317	51.3
TOTAL RED MEAT 5/									
2001	:	1021	45804	4260	51085	3836	1160	46089	118.1
2002 Proj.	Jul :	1160	46931	4366	52457	3768	1018	47671	120.8
	Aug :	1160	47084	4433	52677	3853	1143	47681	120.9
2003 Proj.	Jul :	1018	45660	4396	51074	3955	968	46151	116.0
	Aug :	1143	45610	4487	51240	3995	968	46277	116.3
BROILERS									
2001	:	798	30938	14	31749	5557	712	25480	76.5
2002 Proj.	Jul :	712	31860	10	32582	4809	800	26973	80.1
	Aug :	712	31858	10	32580	4709	825	27094	80.5
2003 Proj.	Jul :	800	32647	12	33459	5450	775	27234	80.1
	Aug :	825	32647	12	33484	5450	775	27259	80.2
TURKEYS									
2001	:	241	5489	1	5732	487	241	5003	17.5
2002 Proj.	Jul :	241	5561	1	5803	489	325	4988	17.3
	Aug :	241	5582	1	5824	504	325	4994	17.3
2003 Proj.	Jul :	325	5601	1	5927	490	325	5111	17.5
	Aug :	325	5601	1	5927	490	325	5111	17.5
TOTAL POULTRY 6/									
2001	:	1048	36942	18	38008	6226	961	30820	95.2
2002 Proj.	Jul :	961	37928	13	38902	5446	1133	32322	98.7
	Aug :	961	37965	13	38939	5386	1158	32442	99.0
2003 Proj.	Jul :	1133	38747	15	39895	6100	1108	32686	99.0
	Aug :	1158	38747	15	39920	6100	1108	32711	98.9
RED MEAT & POULTRY:									
2001	:	2069	82746	4278	89093	10062	2121	76910	213.3
2002 Proj.	Jul :	2121	84859	4379	91359	9214	2151	79993	219.5
	Aug :	2121	85049	4446	91616	9239	2301	80123	219.9
2003 Proj.	Jul :	2151	84407	4411	90969	10055	2076	78837	215.0
	Aug :	2301	84357	4502	91160	10095	2076	78988	215.2

1/ Total including farm production for red meats and, for poultry, federally inspected plus non-federally inspected, less condemnations.
2/ Pounds, retail-weight basis. 3/ Population source: Dept. of Commerce, Bureau of Economic Analysis. 4/ Carcass weight for red meats and certified ready-to-cook weight for poultry. 5/ Beef, pork, veal, lamb and mutton.
6/ Broilers, turkeys and mature chicken.

U.S. Quarterly Prices for Animal Products

Year and quarter	Choice steers 1/	Barrows and gilts 2/	Broilers 3/	Turkeys 4/	Eggs 5/	Milk 6/
	Dol./cwt	Dol./cwt	Cents/lb.	Cents/lb.	Cents/doz.	Dol./cwt
2001						
III	70.19	51.05	61.1	67.1	61.4	16.60
IV	65.13	37.30	58.5	71.4	68.2	14.50
Annual	72.71	45.81	59.1	66.3	67.2	14.97
2002						
I	70.19	39.43	56.0	60.0	69.1	13.07
II	65.58	35.03	56.1	62.9	58.4	12.10
III*	62-64	35-37	56-58	66-68	64-66	11.15-11.45
IV*	69-73	28-30	54-58	72-76	71-75	12.05-12.65
Annual						
Jul Proj	67-69	34-35	56-58	65-67	64-66	12.05-12.35
Aug Proj	67-68	34-35	56-57	65-67	66-67	12.10-12.30
2003						
I*	70-76	33-35	55-59	59-63	67-73	11.65-12.55
II*	72-78	36-38	56-60	61-67	58-62	11.30-12.30
Annual						
Jul Proj	72-79	33-36	57-61	64-69	64-69	11.75-12.75
Aug Proj	72-78	34-36	57-61	64-69	64-69	11.90-12.90

*Projection.

1/ Nebraska, Direct, 1100-1300 lbs. 2/ National Base, Live equiv 51-52% lean
 3/ Wholesale, 12-city average. 4/ 8-16 lbs, hens, Eastern Region. 5/ Grade A large, New York, volume buyers. 6/ Price received by farmers for all milk.

The projected Choice Steer prices above \$70 in the 1st and 2nd quarters and the annual average price in the mid-\$70's will support calf prices.

Feeder cattle futures prices are basically flat into November. Cash prices normally decline in the Fall as increased supplies come to market. The flat prices are reflecting an anticipated reduction in the number of feeder cattle coming to market this fall. In addition, feeder cattle prices are very dependent on feed costs and fed cattle prices. USDA research indicates that for each \$0.25 increase in grain prices, feeder cattle prices decline \$1.25. Also, each dollar increase in fed cattle prices adds about \$1.50 per cwt. to yearling feeder cattle prices.

feeder cattle futures

settlement prices as of 08/23/02 07:00 pm (cst)

MTH/ STRIKE	OPEN	---- DAILY ---- HIGH	LOW	LAST	SETT	PT CHGE	EST VOL	---- PRIOR SETT	DAY VOL	---- INT
AUG02	79.700	79.800	79.050	79.250	79.225	-600	741	79.825	421	2350
SEP02	79.800	79.900	78.700	79.100	79.125	-575	583	79.700	536	1957
OCT02	79.650	79.875	78.550	79.100	79.050	-500	1703	79.550	1550	4939
NOV02	79.900	80.150	78.750	79.450	79.400	-500	383	79.900	321	1705
JAN03	78.350	78.550	77.650	77.900	77.875	-500	168	78.375	93	1038
MAR03	77.300	77.500B	76.525A	76.525A	76.525	-725	3	77.250	15	164
APR03	77.500	77.600	76.500	76.500	76.600	-650	26	77.250	9	128
MAY03	77.300	77.300	76.550	76.550	76.625	-775	5	77.400		36
TOTAL						EST.VOL		VOL	OPEN	INT.
TOTAL						3612		2945		12317

The February and April live cattle futures are indicating an increase in fed cattle prices in the early Spring. This is supporting feeder cattle prices and will encourage feeders to bid for calves to put on feed.

live cattle futures

settlement prices as of 08/23/02 07:00 pm (cst)

MTH/ STRIKE	OPEN	---- DAILY ---- HIGH	LOW	LAST	SETT	PT CHGE	EST VOL	---- PRIOR SETT	DAY VOL	---- INT
AUG02	65.900	66.100	65.000	65.000	65.050	-800	1192	65.850	511	2026
OCT02	68.050	68.375	67.075	67.250	67.225	-925	10K	68.150	6740	43984
DEC02	70.450	70.550	69.550	69.650	69.650	-900	2987	70.550	4873	24301
FEB03	71.850	72.025	70.850	71.125	71.125	-900	1364	72.025	2009	14833
APR03	72.750	72.875	71.800	72.200A	72.250	-700	740	72.950	1116	7296
JUN03	67.900	67.900	67.225	67.575	67.675	-375	205	68.050	1526	2709
AUG03	68.100	68.100	67.300A	67.750	67.750	-500	70	68.250	10	73
TOTAL							EST.VOL		VOL	OPEN INT.
TOTAL							16738		16785	95222

Calf prices are basically in a weather market currently. As the price of corn and soybeans fluctuate, expect some fluctuation in calf prices. Weather conditions in the wheat growing areas will influence prices as well. Good moisture in the wheat growing and grazing areas of Texas, Oklahoma, Kansas, southeast Colorado and northwest New Mexico will support calf prices this fall.

As the fat cattle situation for next year become clearer, calf prices will respond. Low interest rates will support the purchase of cattle for grazing and feeding by lowering the cost of production.

Cull cow price have declined this summer as drought conditions moved some cows to slaughter. Although cow slaughter is down from last year, it is still relatively large. In addition, beef cold storage stocks, which are thought to be comprised mostly of processing beef, were up 16% above 1 July 2002 levels. Demand for processing beef continues weak in Japan which coupled with drought in Australia and New Zealand; results in imports of processing beef remaining large. North America, even at current processing meat prices remains a relatively strong market for processing beef. The cull cow price Fall seasonal decline may be greater this year unless moisture/forage levels improve to take pressure off tight forage/hay stocks.