Louisiana Cattle Market Update Friday, May 15th, 2009

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What's Your Function?

The current economic downturn has seen a change in consumer spending patterns for all types of products, not the least of which is protein products. As a result, many companies are re-evaluating their business plans. For livestock producers, this may be an opportune time to re-evaluate their own business plan or create one if it currently does not exist. Regardless of whether one is involved in livestock production as a result of an economic or lifestyle (i.e. a hobby) decision, having a clear vision of goals for your operation can be beneficial through the identification of unnecessary costs or potentially capturing additional revenues.

The first step is to create a mission statement to help identify why the operation exists. Prior to forming a mission statement, that organization must understand its goals. For full-time or even part-time producers, the goals may not simply be related to the production enterprises of the farm, but may also include personal goals such as to provide for retirement, additional household income, or money for children's college education. Without understanding what the goals for the operation are, how will one know when success is achieved? In crafting the mission statement (and the underlying goals), include discussion from all stakeholders involved in the operation including kids, parents, management, and employees.

Mission statements provide the foundation for the goals of the operation as they reflect the core values of the operation. The Small Business Administration states that the mission statement explains the thrust of your operation as briefly as possible. It should be as direct and focused as possible, and should leave the reader (or customer) with as clear a picture as possible. The vision for the farming enterprise should be included in the mission statement whether that is to be known for producing high quality breeding stock/replacement heifers, pre-conditioning steers, or being the low cost producer in the parish.

A mission statement as part of a realistic business plan will not solve all the problems faced by an operation. However, a mission statement combined with the other components of a business plan (long term goals, financial and marketing plans, and planning assumptions) will aid in more informed decisions based on data from the operation.

Dr. Kurt Guidry has the following to say about the corn market: Concerns over planting progress, a downward trending U.S. dollar, and upward trending crude oil prices are all factors that could lead to continued short-term support for corn prices. Wet conditions in the eastern Corn Belt have slowed planting progress such that some states like Illinois and Indiana are approximately 45% off the historical averages with Nebraska, Iowa, and Minnesota ahead of the historical trends by 5 to 10%. A lower US dollar creates a more competitive situation for U.S. corn in the world export market. These, along with seasonal price improvement typically experienced in corn futures through June, have all likely contributed to the slight upswing being experienced in corn prices and could certainly provide support to prices in the short term. Long term price movement will be determined by the size of the 2009 crop and how demand, both domestically and internationally, play out over the next year. The ethanol industry will be helped by strengthening crude prices (approximately $60/barrel), but these prices are still a long way from being at levels that suggests a large increase in corn ethanol demand (and profitability for those ethanol refineries). On the supply side, while concerns over planting progress is certainly providing some risk premium in the market, total corn plantings are in line with the levels that were experienced last year. With the 2008 U.S. average corn yield ending up at the second largest level on record, there is certainly evidence to suggest that a slow planting progress doesn't necessarily mean lower supplies.

With that said, USDA is projecting corn prices to finish in the $4.10-$4.30/bushel range for the 2008-09 marketing year (the 2007-08 price was $4.20). The latest World Supply and Demand Estimates (WASDE) published by USDA put the 2009-10 marketing year (the crop currently being planted) price for corn at $3.70 to $4.50 per bushel.

Also in the WASDE report was the first estimate for next year's red meat and poultry production. Total red meat production for 2010 is estimated to be at 48.9 billion pounds compared to the projected 2009 estimate of 49.6 million pounds. Broiler production however is expected to increase in 2010 by 584 million pounds over 2009 projections with total red meat and poultry production for 2010 at 91.4 billion pounds (an increase of 48 million pounds from 2009). Choice Nebraska steers are expected to bring $87-94/cwt in 2010 (2009 projection of $85-88). Wholesale broiler prices are projected to bring 78-85 cents per pound in 2010 (78-82 cents per pound in 2009). These prices are for the twelve city average which was quoted at 82 cents per pound on Monday by USDA (GA dock prices are shown below).

Information regarding the CWT dairy herd buyout was released this week. Approximately 103,000 head were accepted into the program with farm audits beginning next week; slaughter should commence by early June at the latest and conclude by early August (though that might be optimistic to end that quickly). The U.S. does have the ability to slaughter the additional cows during this time period with a projected decrease in imported Canadian cow slaughter and the potential for a significant decrease in U.S. beef cow slaughter if pasture conditions remain good. This puts the estimated slaughter from the CWT program at an additional 10,000 cows over a ten week period. There may be some moderate price declines during this time period as a result of the additional slaughter, even if imported cows for slaughter decline and pasture conditions do not significantly decline. The Livestock Marketing Information Center is also projecting a fourth quarter increase in dairy cow slaughter for this year (an increase over last year's fourth quarter dairy slaughter rates). The latest WASDE projections have the 2009 all milk price at $11.85-12.35/cwt and the 2010 price projected at $14.70-15.70/cwt.

Good news for poultry producers in the Farmerville region (and those who depend on the litter from those operations) is that eggs were placed in the hatchery last Friday. Next week's broiler hatchery numbers should reflect the additional eggs placed. This puts broiler chicks being placed in the houses around the 29th of this month.

More good news also has been brewing for the past week and a half over a long standing trade dispute between the U.S. and the European Union on U.S. beef exports that has now been resolved. Starting in early August, the U.S. can export 20,000 metric tons tariff free to the EU provided that beef has been produced hormone free. An additional 11,500 metric tons may be shipped at a 20% tariff rate. This could grow to 45,000 metric tons tariff free provided certain conditions are met. This will probably be more of a long term positive than short term due to the economic situation as WASDE 2009 beef export projections were revised downward this week.

Fat cattle trading only took place Thursday with prices posting some slight increases over the previous week. Live fed cattle cash prices were $85 with Nebraska and Colorado getting $86. Dressed prices ranged from $134 in Kansas and the Southern Plains with Nebraska seeing $136 to $137 and a few carcasses receiving $138.

Compared to last week, Louisiana slaughter cows sold mostly $1 higher. Slaughter bulls sold firmer. Feeder steers sold $1-$4 higher. Feeder heifers sold steady to $3 higher.

Next week will see the monthly Cattle on Feed numbers released and a quick synopsis of this will be sent out via email. More detailed commentary will occur in the next newsletter.

Table 1. Louisiana Auction Prices for the Week Ending May 15, 2009.

Weight	**Steers**	**Heifers**	**Slaughter Classes**	
200-250	$130-150	N/A	Breaking	$44-54
250-300	$118-128	$119-129	Boners	$44-55
300-350	$105-130	$95-111	Lean	$39-51
350-400	$103-120	$92-105		
400-450	$100-116	$90-110	Bulls, YG 1-2, >1,500 lbs	$58-69
450-500	$94-114	$88-104		
500-550	$97-112	$81-103		
550-600	$94-109	$87-102		
600-650	$91-104	$82-101		
650-700	$91-97	$82-87		

Note: All prices are in $/cwt, steers and heifers are Medium and Large 1-2
Price ranges may reflect higher prices received in northern areas of the state in the middle of the week
Source: USDA AMS

Table 2. Louisiana Auction Prices for the Week Ending May 8, 2009.

Weight	Steers	Heifers	Slaughter Classes	
200-250	$120-165	N/A	Breaking	$46-53.50
250-300	N/A	N/A	Boners	$43-56
300-350	$102-125	$92-112	Lean	$34-50
350-400	$101-119	$92-106		
400-450	$96-119	$92-109	Bulls, YG 1-2, >1,500 lbs	$58-66
450-500	$96-115	$85-104		
500-550	$93-108	$84-102		
550-600	$88-104	$80-98		
600-650	$90-101	$84-90		
650-700	$90-99	$78-90		

Note: All prices are in $/cwt, steers and heifers are Medium and Large 1-2
Price ranges may reflect higher prices received in northern areas of the state in the middle of the week
Source: USDA AMS

Table 3. Futures Prices

Month	Live Cattle	Change*	Feeder Cattle	Change*	Corn	Change*
May			$ 99.000	-0.35		
Jun	$ 82.375	-0.600				
Jul					417 1/2	-3 1/2
Aug	$ 82.525	-1.075	$ 101.650	0.950		
Sept			$ 101.975	1.325	426 3/4	-2 3/4
Oct	$ 88.025	0.050	$ 102.150	1.4		
Nov			$ 102.725	1.900		
Dec	$ 90.525	0.400			438 1/2	-1 1/4
Jan			$ 101.250	1.650		
Feb	$ 91.825	0.225				
Mar			$ 100.900	2.300	449	-1 1/2
Apr	$ 92.700	0.650	$ 99.700	1.300		

Source: DTN
* Change is from the previous Friday's close

Table 4. State and National Market Information

Commodity	This Week	Last Week	Last Year
5 – Area Fed Steer Price			
Live	$ 85.11	$ 84.06	$ 94.01
Dressed	$ 136.52	$ 133.79	$ 149.96
Oklahoma City Feeder Cattle Prices			
5-5.5 cwt Med and Large #1	$ 121.66	$ 117.55	$ 135.88
7.5-8 cwt Med and Large #1	$ 100.44	$ 98.60	$ 108.13
Boxed Beef Cutout Values (weekly average)			
600-900 lb Choice cutout	$ 146.10	$ 146.10	$ 156.66
600-900 lb Select cutout	$ 142.93	$ 143.51	$ 152.09
Georgia Dock Broilers	$ 86.96	$ 86.49	$ 82.80
Georgia B/S Breasts	$ 157.50	$ 153.00	$ 153.00
Georgia Leg Quarters	$ 48.50	$ 44.00	$ 48.00
Meat production (million lbs)			
Beef	516.0	502.8	547
Pork	424.4	410.9	413.9
Slaughter (1,000 head)			
Cattle	672	652	719
Hogs	2,076	2,010	2,061
Broilers/Fryers	162.796	159.048	173.803
Average Dressed Weight			
Cattle	771	774	763
Hogs	204	204	201
	Last Week	2 Weeks Ago	Year Ago
Poultry Placements (in thousands)[1]			
LA Broiler Egg Sets	2,230	2,230	3,712
US Broiler Egg Sets	201,849	200,976	215,078
LA Broiler Chick Placements	1,888	1,902	3,147
US Broiler Chick Placements	169,434	168,207	177,096

Source: USDA Agricultural Marketing Service, USDA National Agricultural Statistics Service and Livestock Marketing Information Center

[1] Note the placements numbers are lagged by one week prior to publishing.