Louisiana Cattle Market Update

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The recent run-up in boxed beef prices as the summer grilling season begins has equated into approximately $5/cwt increase in fed cattle prices. Increases in boxed beef prices happened about two weeks later than history would suggest, partially due to warmer weather being slow to arrive in northern U.S. cities. Prices have been helped by tight cattle numbers as well as decreased slaughter weights as retailers prepare for Memorial Day and the summer grilling season beyond.

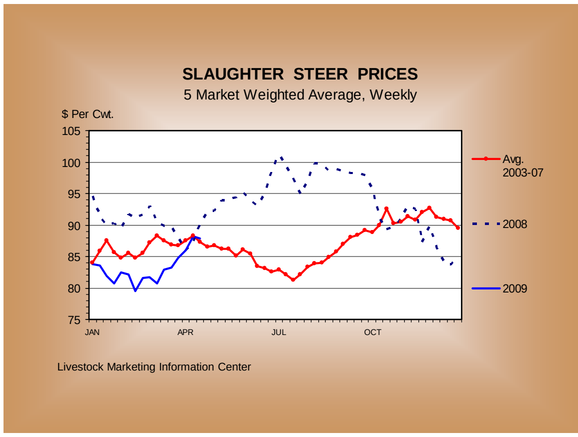
The question now becomes how long will the rally be sustained? Look for fed cattle prices to mirror what happens with boxed beef prices in the coming weeks. Thursday saw daily Choice boxed beef prices dip below the $150 mark for the first time in two weeks with additional decreases on Friday. Negotiated boxed beef prices are for delivery of the product over the next three weeks which gives a general indication of purchasing patterns by wholesalers and retailers as they try to gauge consumer demand for mid May. A strong showing for beef over the next few weeks and especially Memorial Day will help maintain the recent upward swing in prices, although seasonally a dip in fed and boxed beef prices can be expected as June and early July arrive. The run up in fed and boxed beef prices that occurred last year is unlikely to repeat itself again this year. A change in the general economic outlook will help ease some of the seasonal trend exhibited.

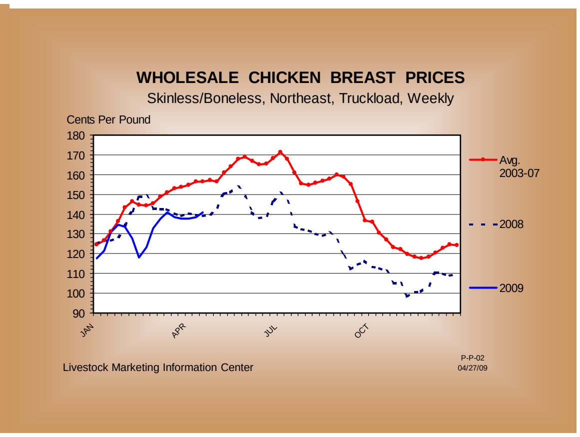
For poultry producers, a run up in chicken prices seasonally does not occur until about mid-May and maintains that strength until early September. Nationally, egg sets and chick placements are about 5 to 6 percent off this time last year. General market weakness makes it doubtful that chicken breast prices will achieve the high seen from 2003-07 despite the reduction in productions that are occurring. However, as with beef, changes in the general economic outlook might strengthen the price outlook. That in turn, could start to see increased placements, but integrators may take the wait and see approach to make sure an economic recovery does occur.

What has become the unknown in the past week is the impact of the H1N1 flu outbreak. While consumers may switch to beef and chicken despite pork being safe to eat, the outbreak is likely to affect vacation plans and away from home dining patterns the longer concerns over the virus remains. This outbreak certainly has the chance to prolong the time it takes for the U.S. economy to turnaround. The severity of the outbreak in Mexico will affect U.S. beef and pork markets due to the popularity of those U.S. products in Mexico.

Russia and China are two of the countries to use the current H1N1 flu strain outbreak as a reason to ban imports of U.S. meat products, specifically pork. While consuming pork products will not put one at risk for this flu strain, the Russians extended their ban to beef from the states of California, Texas, and

Kansas. More worrisome is that Canada is reinstating their complaint with the WTO over COOL. Mexico probably would reinitiate their suit as well, if their hands were not already full with the flu outbreak.





This week APHIS released a study on the National Animal Identification System (NAIS). Highlights from study available at www.usda.gov/nais/naislibrary/plans.shtml are:

- For industry, the effect of not implementing some aspects of NAIS (maintaining status quo) may result in significant losses—as great as $13.2 billion annually due to reduced export market access.
- The cattle industry cost represents 91.5 percent of the total cost of NAIS; the swine, sheep and poultry industries account for the rest. Identification tags and tagging cattle represent 75 percent of the cattle sector's annual adoption cost. Estimated tag and tagging costs vary among cattle producers with 50 head from $3.30 to $5.22 per cow, depending on current identification practices.
- The total cost for implementing NAIS in the cattle sector as described in the study is $175.9 million annually (at a 90 percent participation level). Although significant, the cost is less than one-half of a percent of the retail value of U.S. beef products.
- The average cost per animal marketed is: $5.97 for cattle, $0.059 for swine and $1.39 for sheep. For poultry, the average cost per animal is $0.0195 for layers, $0.0007 for broilers and $0.0020 for turkeys.

APHIS has scheduled a public meeting in Austin, TX, on May 20th and Birmingham on May 21st on NAIS. More information is available at: www.usda.gov/nais/feedback.shtml.

Fed cattle trade didn't develop till today with all regions trading in the $85 to $86 range for live animals. Reports from Texas and Kansas are of light to moderate trade on light to moderate demand. Dressed carcasses were going for $135 to $136 in Kansas with Nebraska and Colorado reporting carcasses at $137. Live trade last week was in the $88-$89 range depending location. More significant decreases in occurred with dressed prices that were in the low $140s last week, although Kansas was trading in the upper $130s part of last week.

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

Weight	Steers	Heifers	Slaughter Classes	
200-250	$120-165[1]	$110-140[1]	Breaking	$46-53
250-300	$120-165[1]	$110-140[1]	Boners	$43-55
300-350	$104-129	$92-103	Lean (850-1200)	$34-50
350-400	$100-125	$90-102	Lean (750-850)	$32-46
400-450	$98-121	$84-113		
450-500	$97-115	$82-107	Bulls, YG 1-2, <1,500 lbs	$52-62
500-550	$92-110	$90-104	Bulls, YG 1-2, >1,500 lbs	$58-65.75
550-600	$94-106	$80-91		
600-650	$90-103	$78-95		
650-700	$88-101	$84-90		

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
[1] Represents the price was reported in hundred pound increments as opposed to fifty pound increment.
Source: USDA AMS

Table 2. Louisiana Auction Prices for the Week Ending April 24, 2009.

Weight	Steers	Heifers	Slaughter Classes	
200-250	$135-157	$125-145	Breaking	$44-54
250-300	$120-135	N/A	Boners	$44-55
300-350	$108-130	N/A	Lean (850-1200)	$36-55
350-400	$105-127	$86-111		
400-450	$103-122	$86-107	Bulls, YG 1-2, <1,500 lbs	$57-64
450-500	$100-118	$88-105	Bulls, YG 1-2, >1,500 lbs	$55-65.50
500-550	$95-110	$84-104		
550-600	$90-104	$80-98		
600-650	$94-104	$81-98		
650-700	$89-101	N/A		

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			$ 97.450	-1.675	406 1/4	29 1/4
Jun	$ 82.100	-0.500				
Jul					413 3/4	28
Aug	$ 82.025	-0.950	$ 98.450	-1.900		
Sept			$ 98.725	-1.675	422 1/2	27 1/4
Oct	$ 86.425	-0.700	$ 98.775	-1.625		
Nov			$ 98.800	-1.650		
Dec	$ 88.850	-0.325			433 1/4	26 1/2
Jan			$ 98.200	-1.550		
Feb	$ 90.225	0.175				
Mar			$ 98.000	-0.975	445	26
Apr	$ 90.600	-0.900	$ 98.250	N/A		

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	$87.57	$87.92	$92.02
Dressed	$140.18	$142.21	$147.51
Oklahoma City Feeder Cattle Prices			
5-5.5 cwt Med and Large #1	$117.10	$119.06	$124.00
7.5-8 cwt Med and Large #1	$99.50	$100.13	$106.58
Boxed Beef Cutout Values (weekly average)			
600-900 lb Choice cutout	$151.00	$152.83	$154.85
600-900 lb Select cutout	$148.05	$150.65	$152.38
Georgia Dock Broilers	$85.94	$85.52	$81.61
Georgia B/S Breasts	$150.00	$150.00	$149.00
Georgia Leg Quarters	$42.50	$39.00	$46.50
Meat production (million lbs)			
Beef	516.7	503.6	533.7
Pork	418.7	436.7	429.9
Slaughter (1,000 head)			
Cattle	665	644	701
Hogs	2,047	2,140	2,145
Broilers/Fryers	162.186	159.334	168.746
Average Dressed Weight			
Cattle	780	785	764
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	200,881	202,689	213,675
LA Broiler Chick Placements	1,896	1,901	3,444
US Broiler Chick Placements	168,910	166,642	178,240

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.