

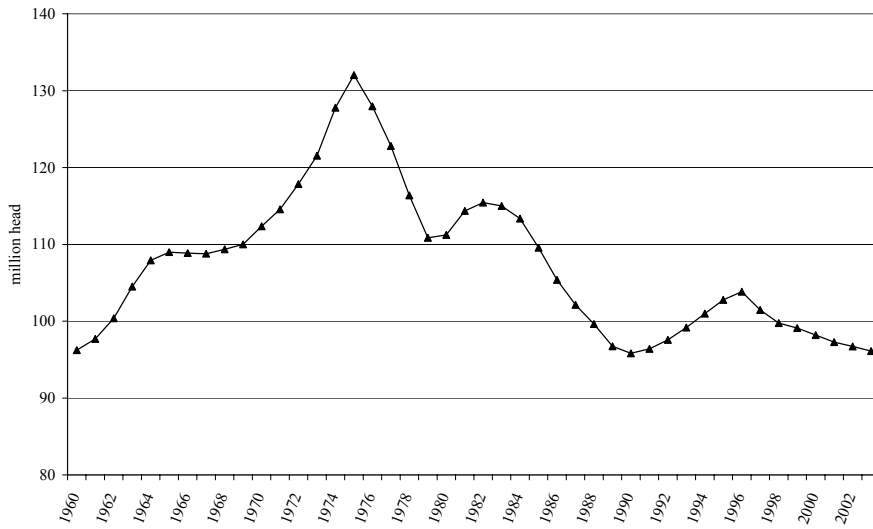
Beef Outlook in Early 2003

Wayne D. Purcell
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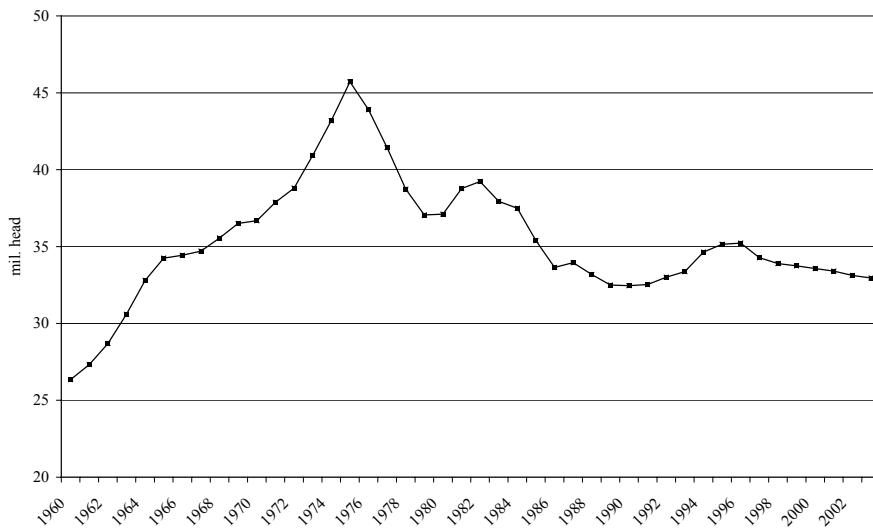
The Long-Run Scenario

- Supply side and cycle
- Developments in demand
- Developments in the marketplace

Total Cattle Inventory, January 1, 1960-2003

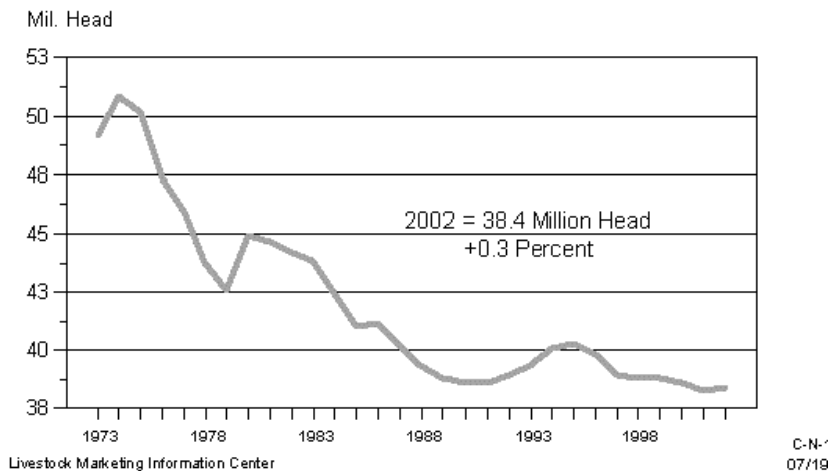


Beef Cow Inventory, January 1, 1960-2003

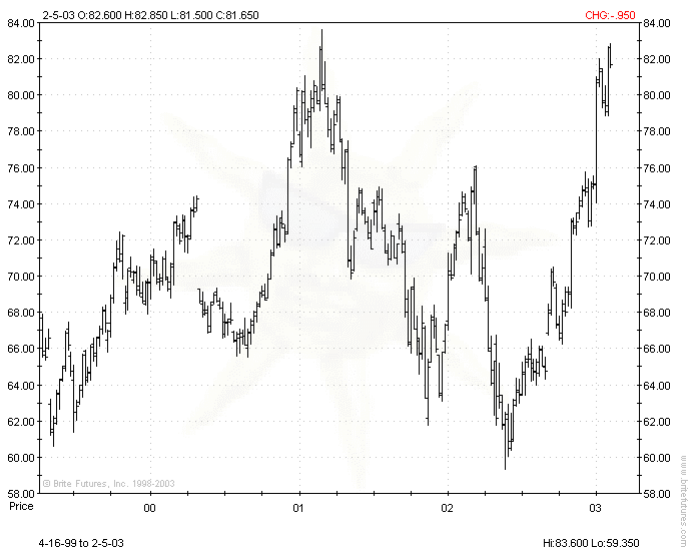


CALF CROP

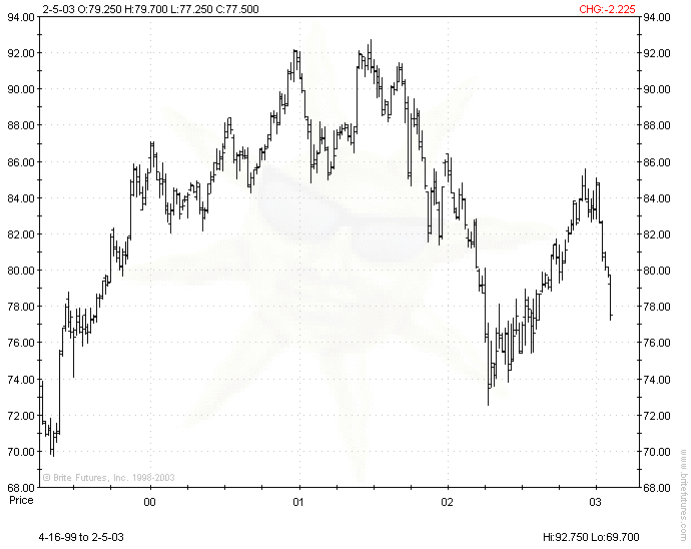
July 1 Estimate, U.S., Annual



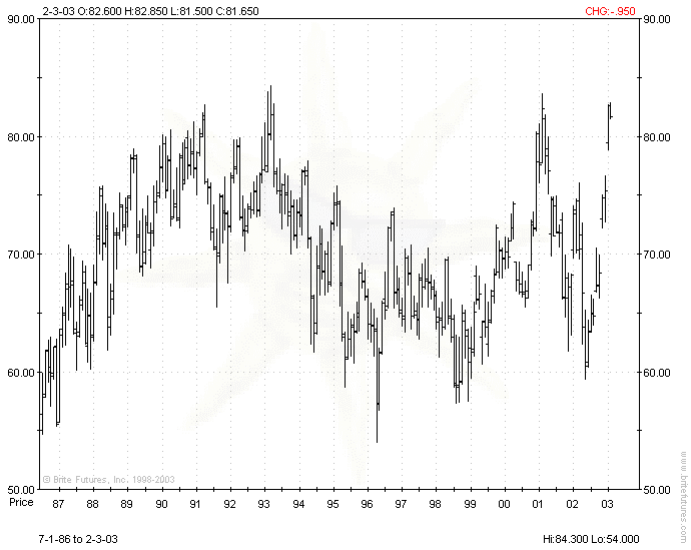
LC - Weekly Live Cattle



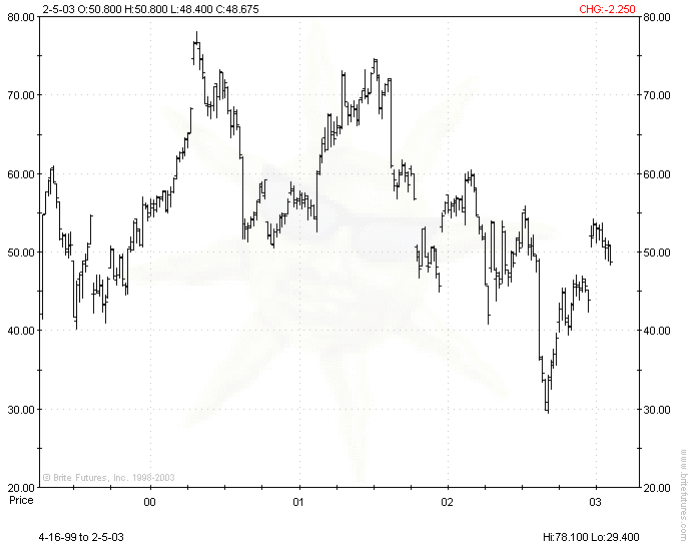
FC - Weekly Feeder Cattle



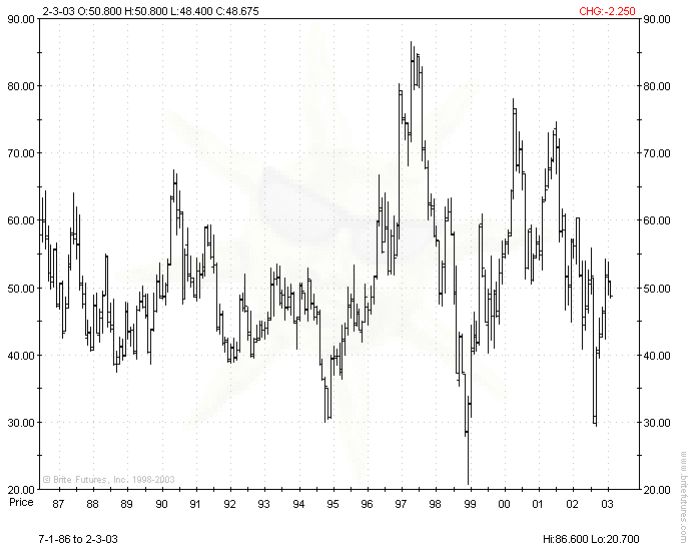
LC - Monthly Live Cattle

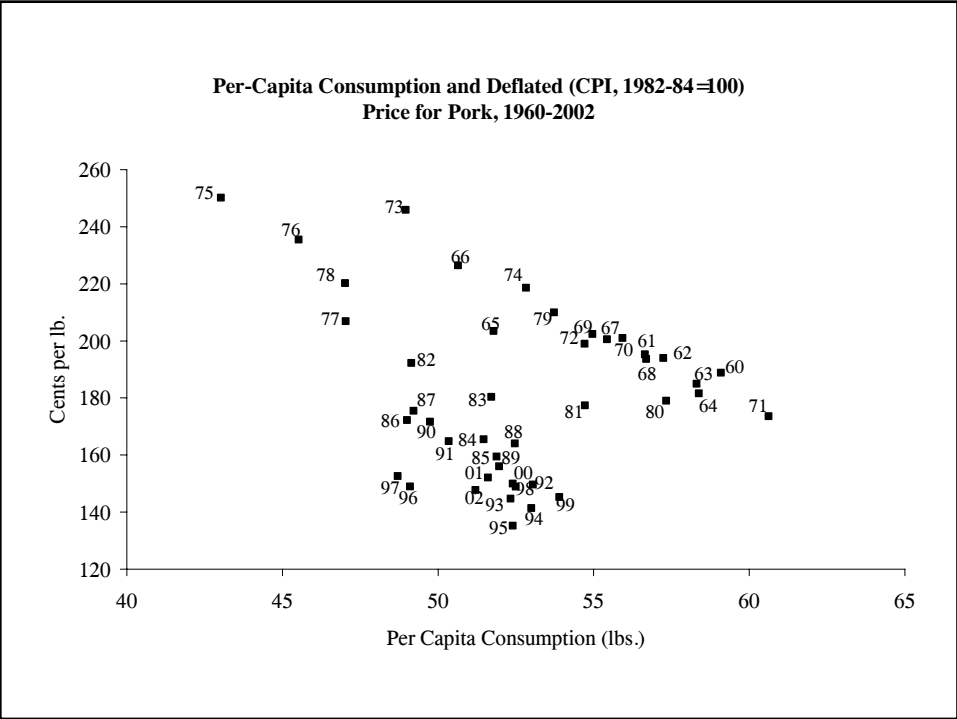
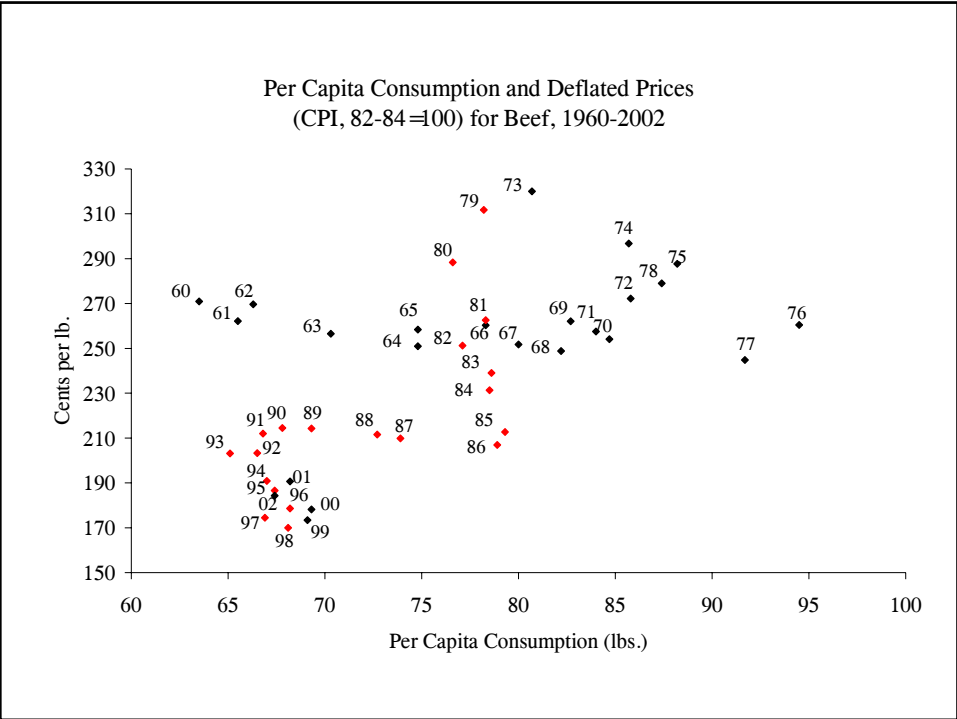


LH - Weekly Lean Hogs



LH - Monthly Lean Hogs





Quantity Adjusted Index for Beef Demand

Year	Per-Capita Consumption	Deflated Price (cents/lb.)	Constant Demand Price (cents/lb.)	Index (1980=100)	Index (1997=100)
1980	76.6	283.5	--	100.00	197.3
1981	78.3	258.2	274.13	94.19	185.9
1982	77.1	247.0	280.71	87.99	173.6
1983	78.6	235.0	272.40	86.27	170.2
1984	78.5	227.3	271.82	83.26	164.3
1985	79.3	212.7	268.59	79.19	156.3
1986	78.9	206.9	270.78	76.41	150.8
1987	73.9	209.8	298.35	70.32	138.8
1988	72.7	211.6	304.99	69.38	136.9
1989	69.0	214.2	325.38	65.83	129.9
1990	67.8	214.5	332.04	64.60	127.5
1991	66.6	212.0	338.71	62.59	123.5
1992	66.2	203.3	340.94	59.63	117.7
1993	64.6	203.1	349.69	58.08	114.6
1994	66.3	190.9	340.41	56.08	110.7
1995	66.6	186.6	338.78	55.08	108.7
1996	67.2	178.6	335.40	53.25	105.1
1997	65.7	174.2	343.79	50.67	100.0
1998	66.7	170.0	338.17	50.27	99.2
1999	67.5	173.4	333.85	51.94	102.5
2000	67.6	178.1	333.08	53.47	105.5
2001	66.2	190.7	340.96	55.93	110.4
2002	67.4	184.3	334.36	55.12	108.8

The index calculation is based on demand constant prices compared to 1980 using an elasticity of -0.67. The index was then rescaled to 1997=100 so that changes from 1997 can be easily monitored. A current index of 105 would mean demand has increased 5% since 1997, or an index of 96 would mean demand has decreased 4% in the same time span. The index values show how demand is changing but give no information on why it is changing. The index values are also a function of the -0.67 retail level demand elasticity, but the index does not change drastically for elasticity parameters of -0.5 to -0.8.

Quarterly Beef Index for 1980-2002

Year	Quarter 1		Quarter 2		Quarter 3		Quarter 4				
	1980=100	1997=100	Year	1980=100	1997=100	Year	1980=100	1997=100	Year	1980=100	1997=100
1980	100.000	206.726	1980	100.000	183.769	1980	100.000	193.705	1980	100.000	205.736
1981	93.750	193.805	1981	92.901	170.725	1981	101.814	197.218	1981	88.691	182.469
1982	83.420	172.450	1982	90.391	166.111	1982	93.253	180.636	1982	84.881	174.631
1983	82.855	171.283	1983	90.189	165.739	1983	90.941	176.158	1983	81.008	166.663
1984	82.052	169.623	1984	85.929	157.911	1984	82.801	160.390	1984	81.029	166.705
1985	76.309	157.751	1985	85.232	156.631	1985	82.910	160.601	1985	73.105	150.404
1986	72.059	148.965	1986	81.649	150.045	1986	81.413	157.701	1986	71.490	147.081
1987	66.917	138.334	1987	73.815	135.649	1987	74.090	143.517	1987	66.829	137.491
1988	67.028	138.564	1988	73.976	135.945	1988	72.448	140.336	1988	64.780	133.276
1989	63.242	130.737	1989	69.344	127.434	1989	66.528	128.868	1989	64.197	132.076
1990	60.926	125.949	1990	69.910	128.472	1990	65.575	127.023	1990	62.930	129.470
1991	60.385	124.831	1991	67.835	124.661	1991	64.588	125.111	1991	58.533	120.424
1992	57.207	118.262	1992	63.496	116.687	1992	60.843	117.856	1992	56.362	115.956
1993	55.818	115.391	1993	61.711	113.406	1993	59.951	116.129	1993	55.435	114.049
1994	54.459	112.582	1994	59.364	109.092	1994	56.891	110.200	1994	53.733	110.548
1995	52.765	109.080	1995	57.729	106.088	1995	57.320	111.032	1995	52.830	108.690
1996	52.470	108.469	1996	56.953	104.662	1996	52.848	102.369	1996	50.847	104.610
1997	48.373	100.000	1997	54.416	100.000	1997	51.625	100.000	1997	48.606	100.000
1998	47.999	99.227	1998	53.017	97.429	1998	51.138	99.056	1998	49.079	100.973
1999	47.682	98.572	1999	55.053	101.171	1999	53.178	103.008	1999	51.483	105.918
2000	50.428	104.247	2000	56.579	103.976	2000	55.635	107.768	2000	51.413	105.775
2001	52.339	108.198	2001	59.888	110.056	2001	57.357	111.102	2001	54.799	112.742
2002	51.760	107.000	2002	59.795	109.885	2002	55.944	108.366	2002	53.510	110.089

Updated using per-capita consumption and retail beef price data from the Livestock Marketing Information Center website (<http://lmic1.co.nrcs.usda.gov/>), updated on January 16, 2003.

The index calculation is based on demand constant prices compared to 1980 using an elasticity of -0.67. The index was then rescaled to 1997=100 so that changes from 1997 can be easily monitored. A current index of 105 would mean demand has increased 5% since 1997, or an index of 96 would mean demand has decreased 4% in the same time span. The index values show how demand is changing but give no information on why it is changing. The index values are also a function of the -0.67 retail level demand elasticity, but the index does not change drastically for elasticity parameters of -0.5 to -0.8.

Demand Index for Pork

Year	Per-Capita Consumption (lbs.)	Deflated Price (\$/lb.)	Constant Demand Price (\$/lb.)	Index (1980=100)	Index 1997=100
1980	57.3	1.79	1.79	100.00	146.08
1981	54.7	1.77	1.91	92.78	135.54
1982	49.1	1.92	2.17	88.53	129.33
1983	51.7	1.80	2.05	87.90	128.41
1984	51.5	1.65	2.06	80.18	117.14
1985	51.9	1.59	2.04	78.01	113.96
1986	49.0	1.72	2.18	79.06	115.49
1987	49.2	1.75	2.16	80.92	118.21
1988	52.5	1.64	2.02	81.34	118.82
1989	52.0	1.56	2.04	76.46	111.69
1990	49.8	1.72	2.15	80.08	116.99
1991	50.2	1.65	2.12	77.66	113.45
1992	52.8	1.50	2.01	74.77	109.23
1993	51.9	1.45	2.05	70.83	103.48
1994	52.5	1.41	2.01	70.16	102.49
1995	51.8	1.35	2.04	66.04	96.47
1996	48.4	1.49	2.21	67.51	98.62
1997	47.9	1.53	2.24	68.45	100.00
1998	51.5	1.49	2.06	72.21	105.49
1999	52.7	1.45	2.00	72.49	105.90
2000	51.2	1.50	2.07	72.31	105.64
2001	50.2	1.52	2.12	71.67	104.70
2002	51.2	1.48	2.08	71.17	103.97

Demand for beef should increase again in 2003 assuming no huge outside shock. The improved demand is based on export growth and the revised product offering in domestic markets: convenient, branded, and quality assured products.

Developments in the marketplace

- Mandatory price reporting
- Country of origin labeling
- Packer ban legislation

Hot Current Topic

Combest Questions and Answers

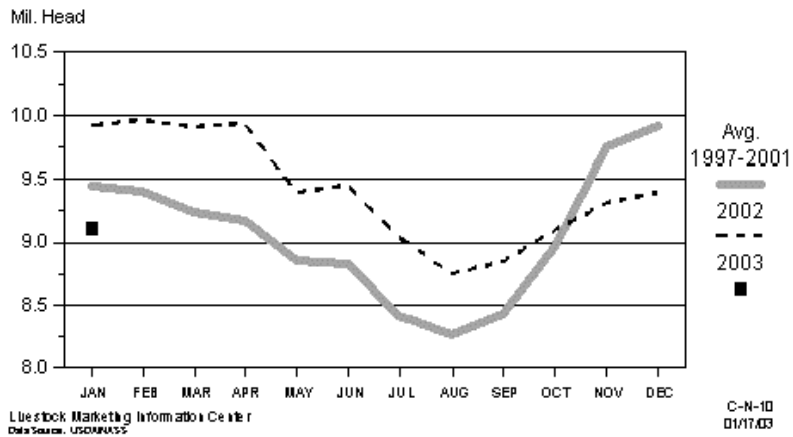
www.aaec.vt.edu/rilp

The Shorter Run Scenario

- Cattle on feed
- Equity in cattle feeding
- Herd building tendencies
- Carcass weights
- Prices and price spreads

CATTLE ON FEED

Seven Historical States, Monthly

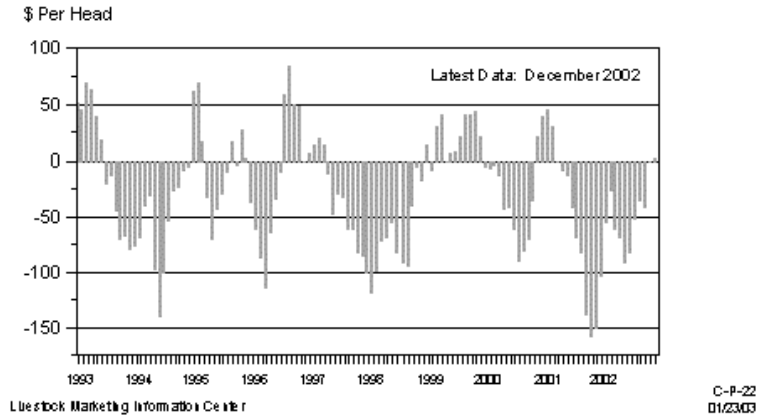


7-States Cattle On Feed Report, January 1, 2003

	2001	2002	2003	<u>2003</u> 2001	<u>2003</u> 2002
	(1,000 head)				
On feed Dec. 1	10,213	10,203	9,395	.92	.92
Placed on feed during Dec.	1,440	1,330	1,380	.96	1.04
Marketed in Dec.	1,500	1,545	1,566	1.04	1.01
On feed, Jan. 1	10,076	9,910	9,124	.91	.92

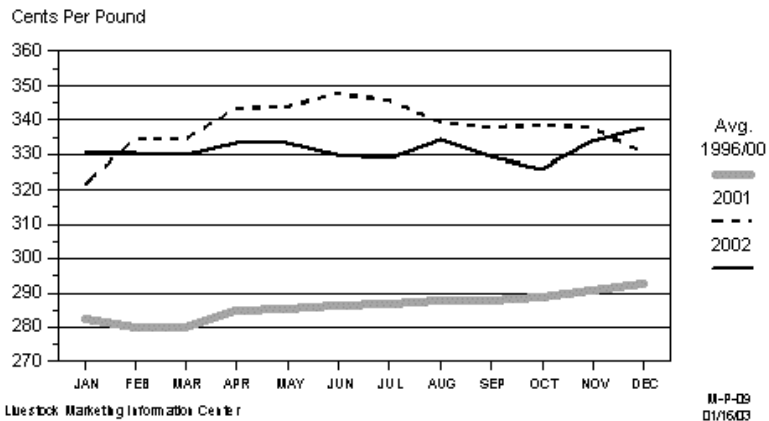
AVERAGE RETURNS TO CATTLE FEEDERS

Feeding 725 Lb. Steers, S. Plains, Monthly



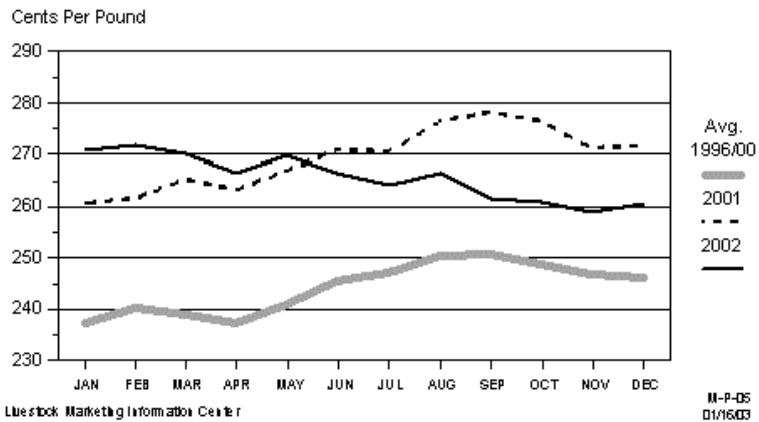
RETAIL BEEF PRICE

Choice, Monthly



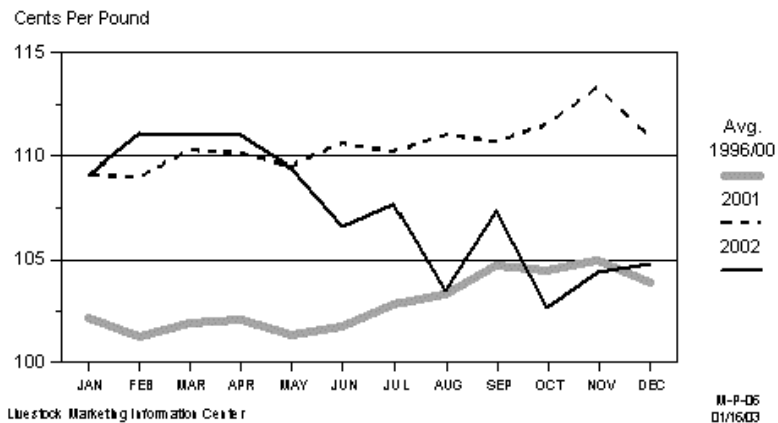
RETAIL PORK PRICE

Monthly



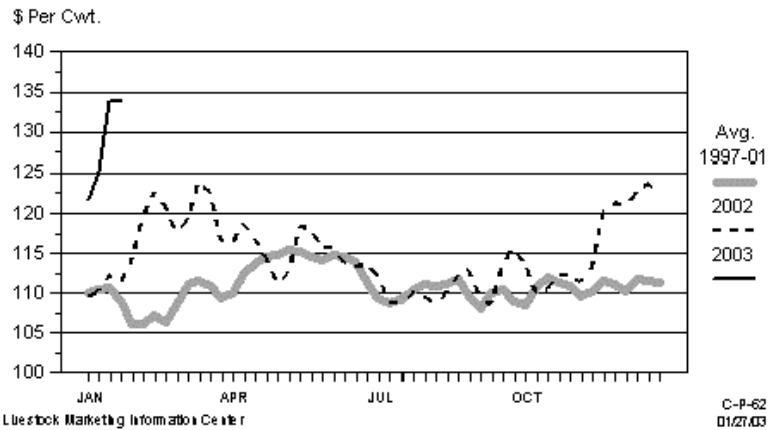
RETAIL CHICKEN PRICE

Whole Fresh, Monthly



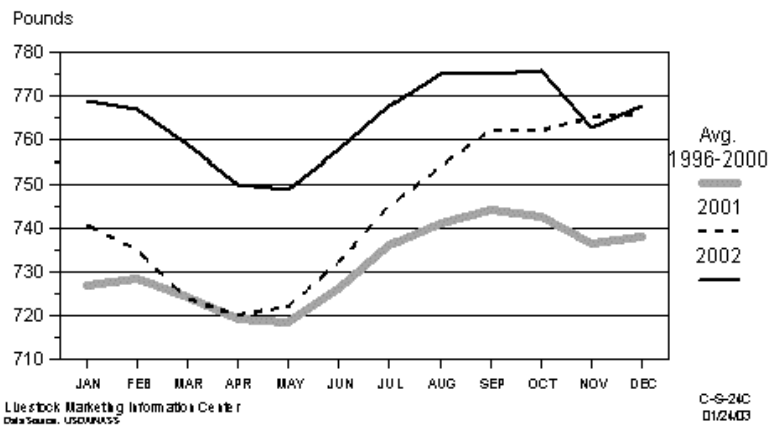
BOXED BEEF CUTOUT VALUE

Choice 550-700 Lbs. Carcass, Weekly



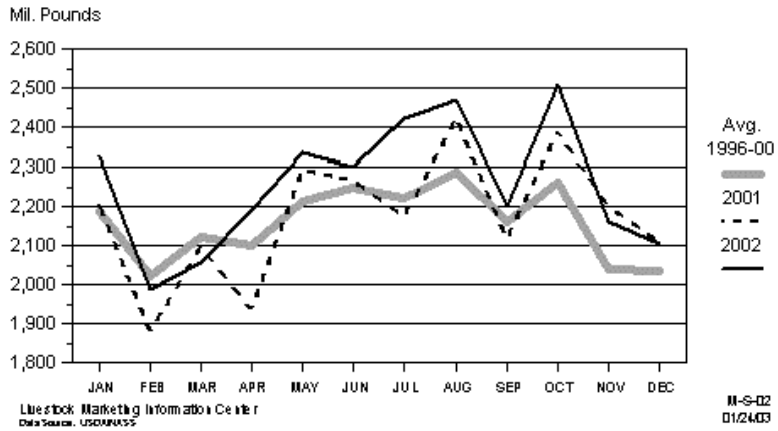
AVERAGE DRESSED WEIGHT - CATTLE

Federally Inspected, Monthly

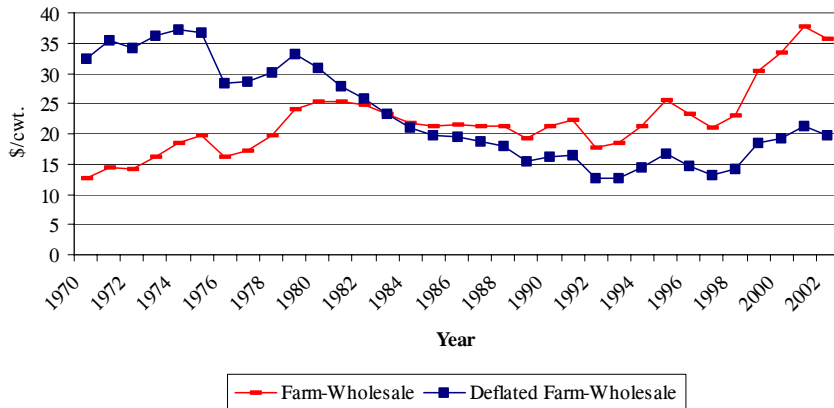


COMMERCIAL BEEF PRODUCTION

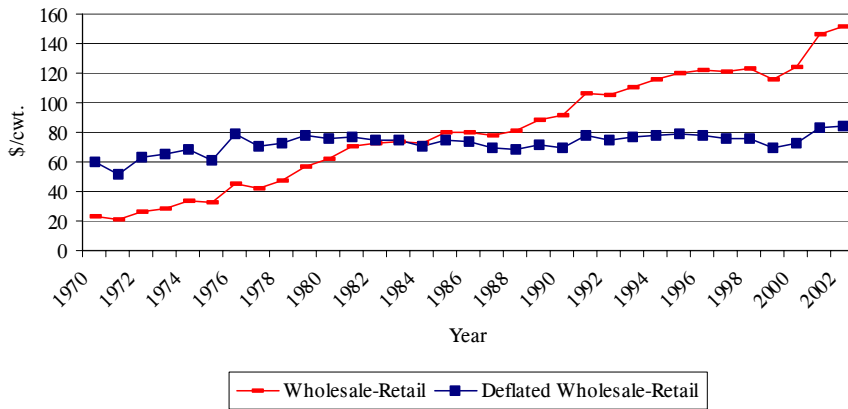
Monthly



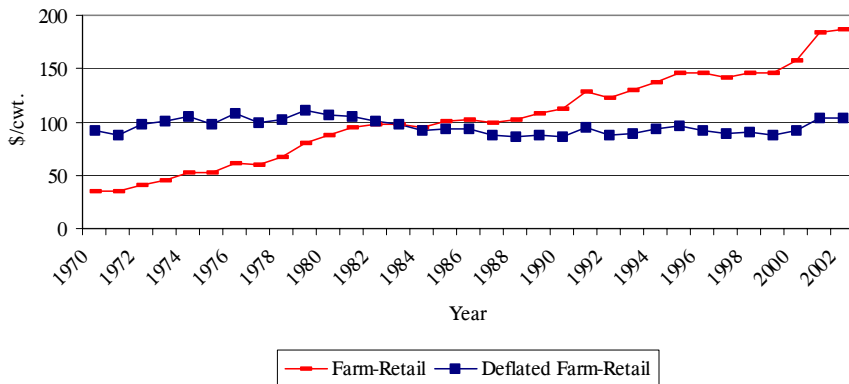
Nominal and Deflated Farm-Wholesale Price Spread for Beef, 1970-2002



Nominal and Deflated Wholesale-Retail Price Spread for Beef, 1970-2002



Nominal and Deflated Farm-Retail Price Spread for Beef, 1970-2002



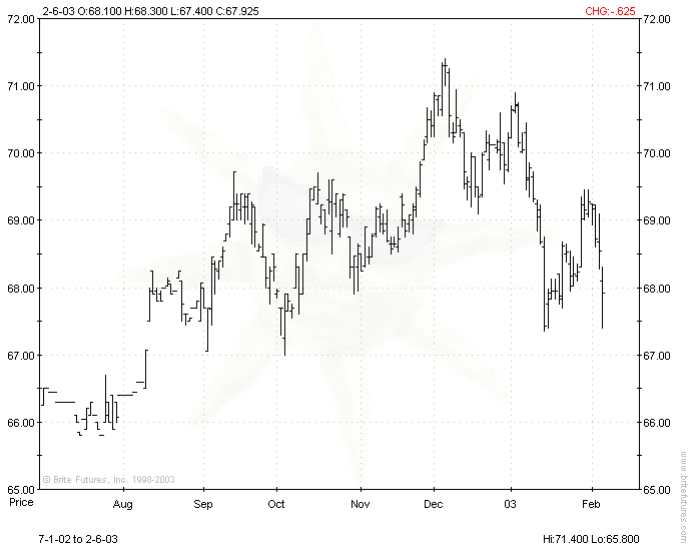
LCG03 - February 2003 Live Cattle



LCJ03 - April 2003 Live Cattle

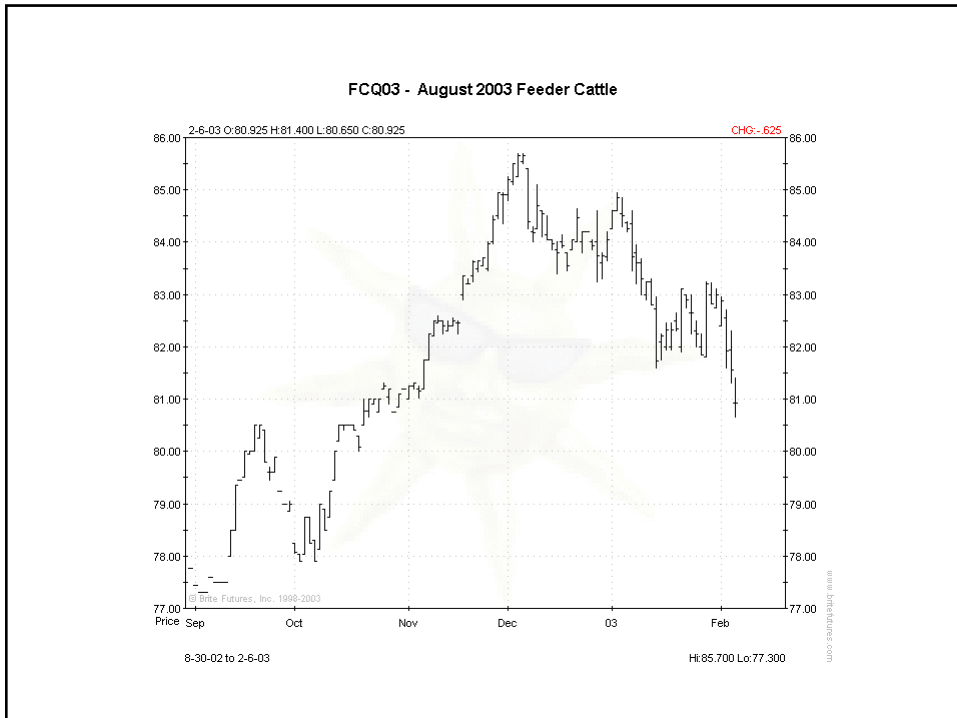


LCQ03 - August 2003 Live Cattle



FCH03 - March 2003 Feeder Cattle





We Will See Next 2-3 Years

- Decreased per capita consumption and loss of market share
- Record high calf, yearling, fed cattle prices
- Decent chances for profitability
- Continued moves to alliances, contracts and non-price coordination and quality control
- Start of a growing sector that regains market share

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Web sites:

www.ext.vt.edu

News, Weekly Purcell Letter

www.reap.vt.edu

Pricing Guides

Many publications

www.aaec.vt.edu/rilp

Research pubs on demand, concentration, captive supplies,
contracting, price risk management, impact of exports, alliance
management & compensation guides.