

# Cattle Situation and Outlook

June 2004

Kevin McNew  
Extension Economist  
Montana State University

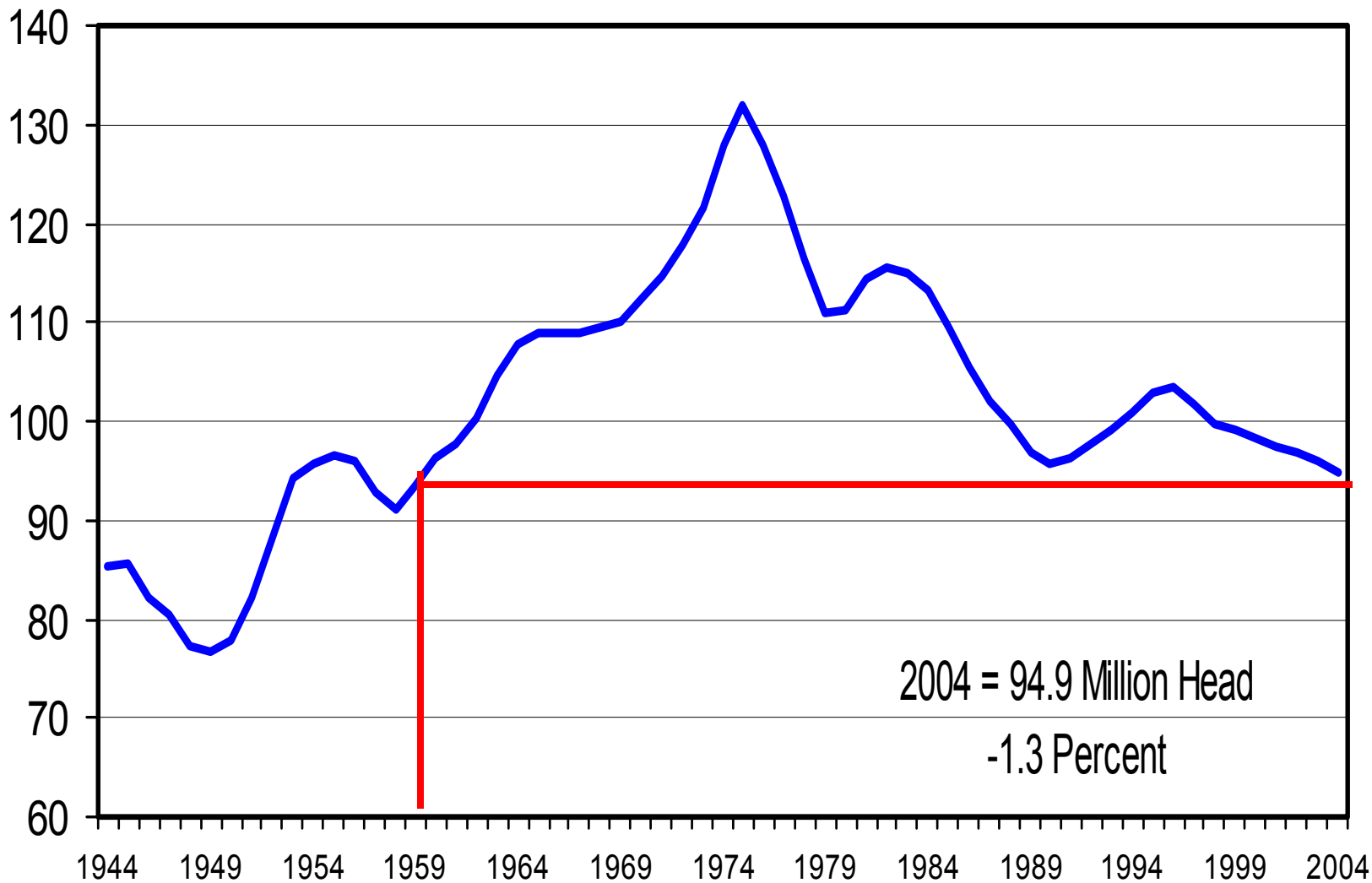
# Cattle Situation

- Long-Term Supply Issues
- Short-Term Supply Issues
- Price Action
- International Trade
- Feed Markets
- Outlook

# JANUARY 1 TOTAL CATTLE INVENTORY

U.S., Annual

Mil. Head

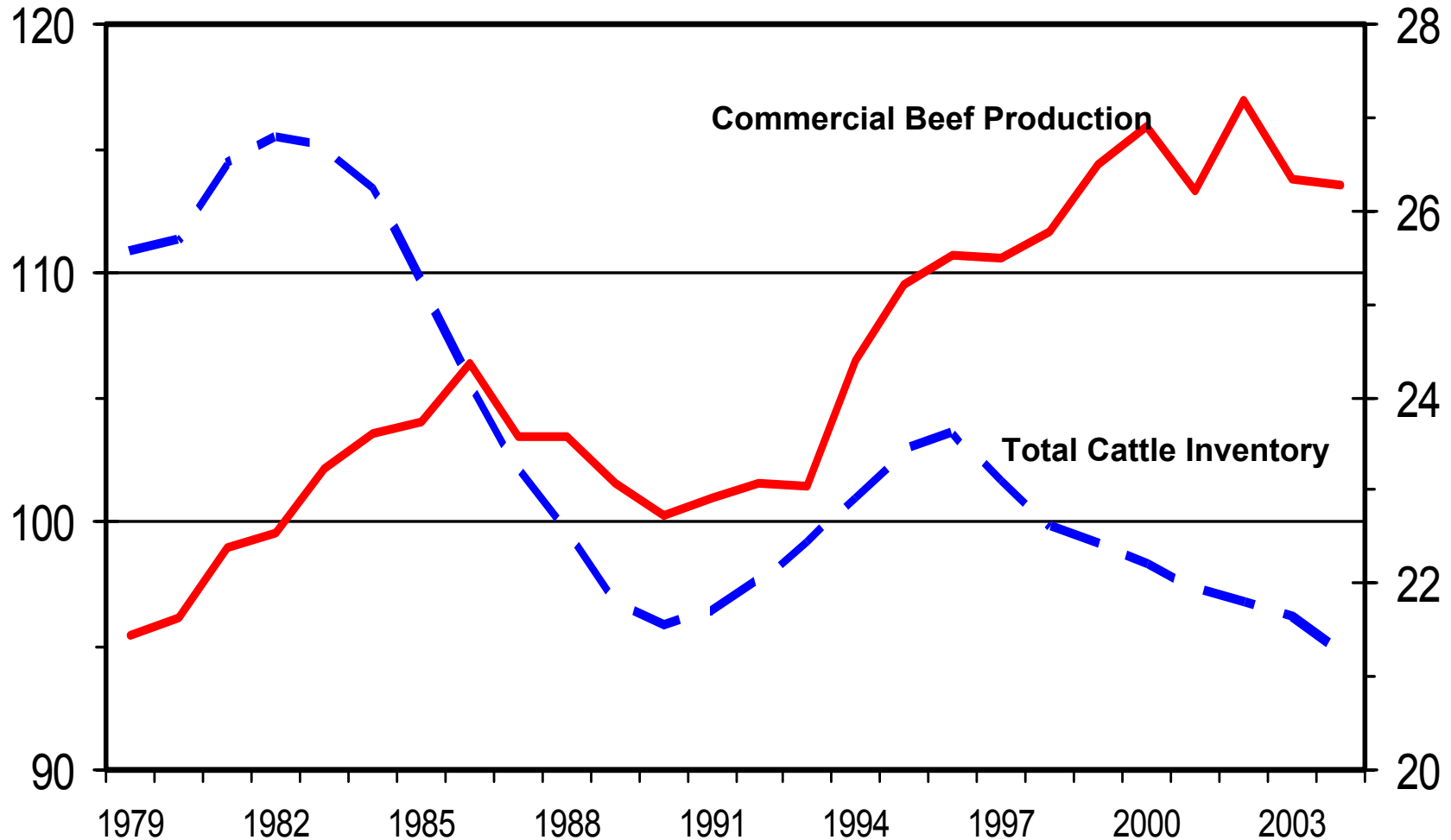


# BEEF PRODUCTION vs. CATTLE INVENTORY

Inventory on January 1, U.S.

Mil. Head

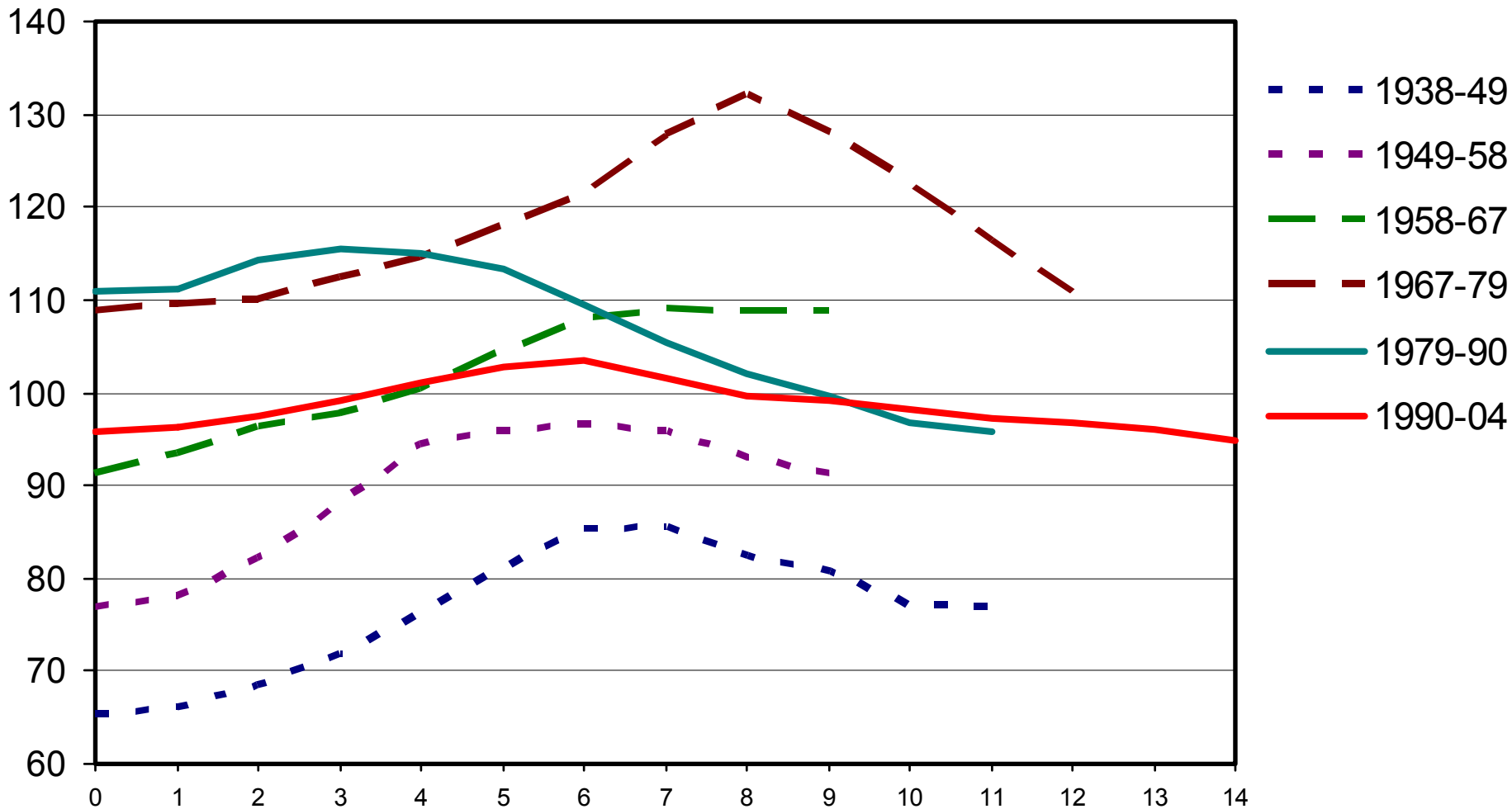
Bil. Pounds



# TOTAL CATTLE INVENTORY BY CYCLE

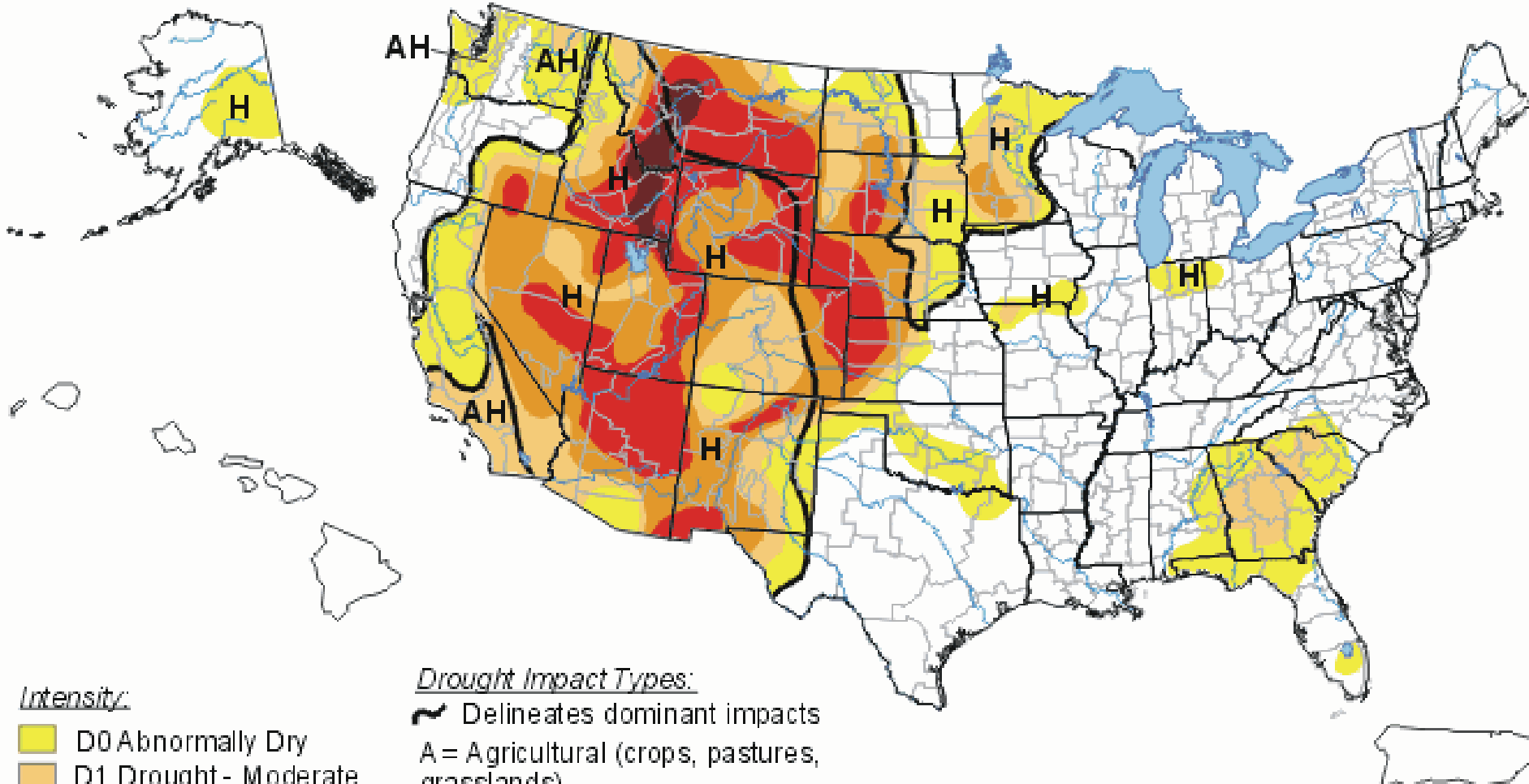
U.S., January 1

Mil. Head








# U.S. Drought Monitor


May 18, 2004  
Valid 8 a.m. EDT



### Intensity:

-  D0 Abnormally Dry
-  D1 Drought - Moderate
-  D2 Drought - Severe
-  D3 Drought - Extreme
-  D4 Drought - Exceptional

### Drought Impact Types:

-  Delineates dominant impacts
- A = Agricultural (crops, pastures, grasslands)
- H = Hydrological (water)
- A, H = Agricultural and Hydrological
- (No type = Both impacts)

*The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.*

<http://drought.unl.edu/dm>

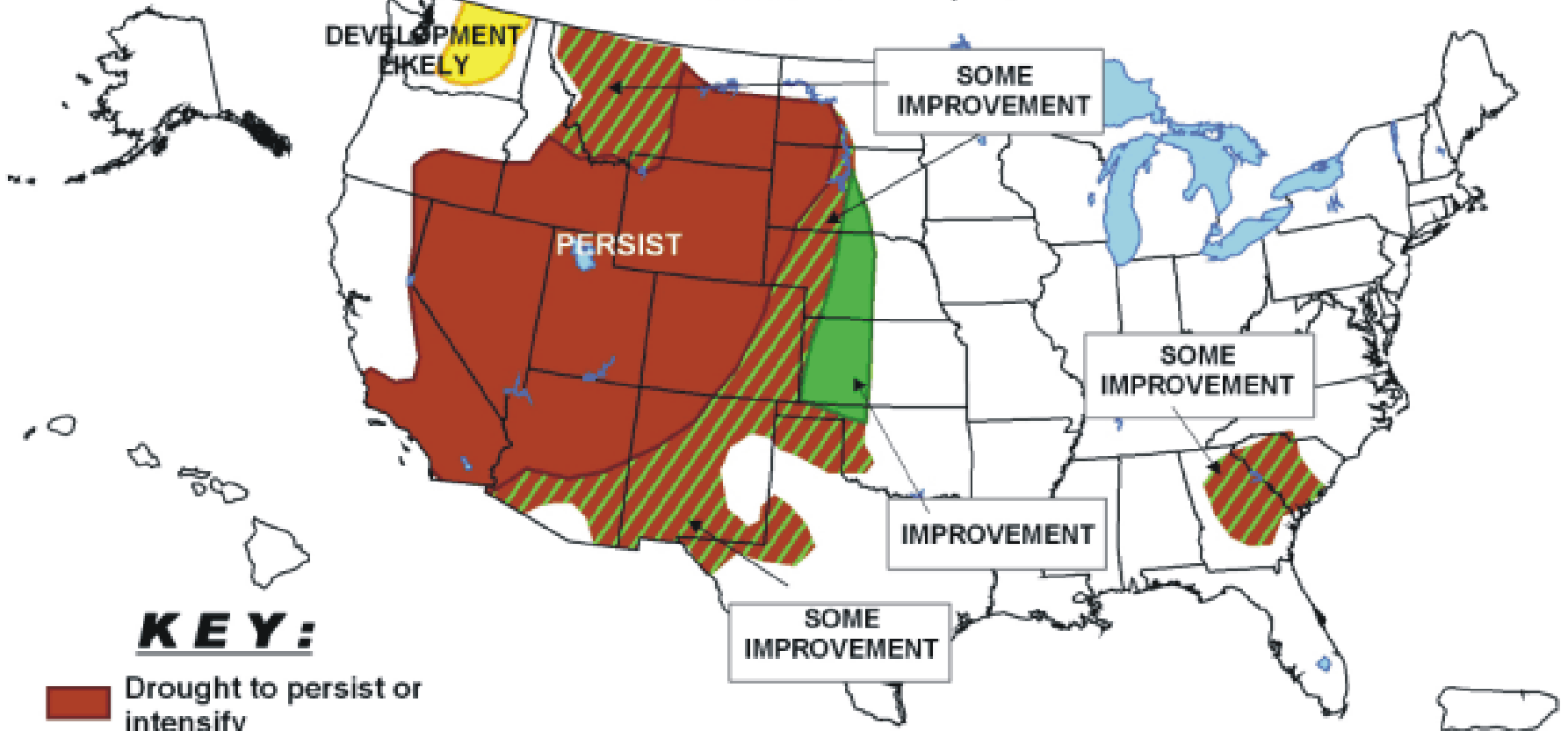


**Released Thursday, May 20, 2004**  
Auth or: David Miskus, JAWF/CPC/NOAA







# U.S. Seasonal Drought Outlook Through September 2004

Released June 17, 2004



## **KEY:**

-  Drought to persist or intensify
-  Drought ongoing, some improvement
-  Drought likely to improve, impacts ease
-  Drought development likely

Depicts general, large-scale trends based on subjectively derived probabilities guided by numerous indicators, including short and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance, so use caution if using this outlook for applications -- such as crops -- that can be affected by such events. "Ongoing" drought areas are schematically approximated from the Drought Monitor (D1 to D4). For weekly drought updates, see the latest Drought Monitor map and text.

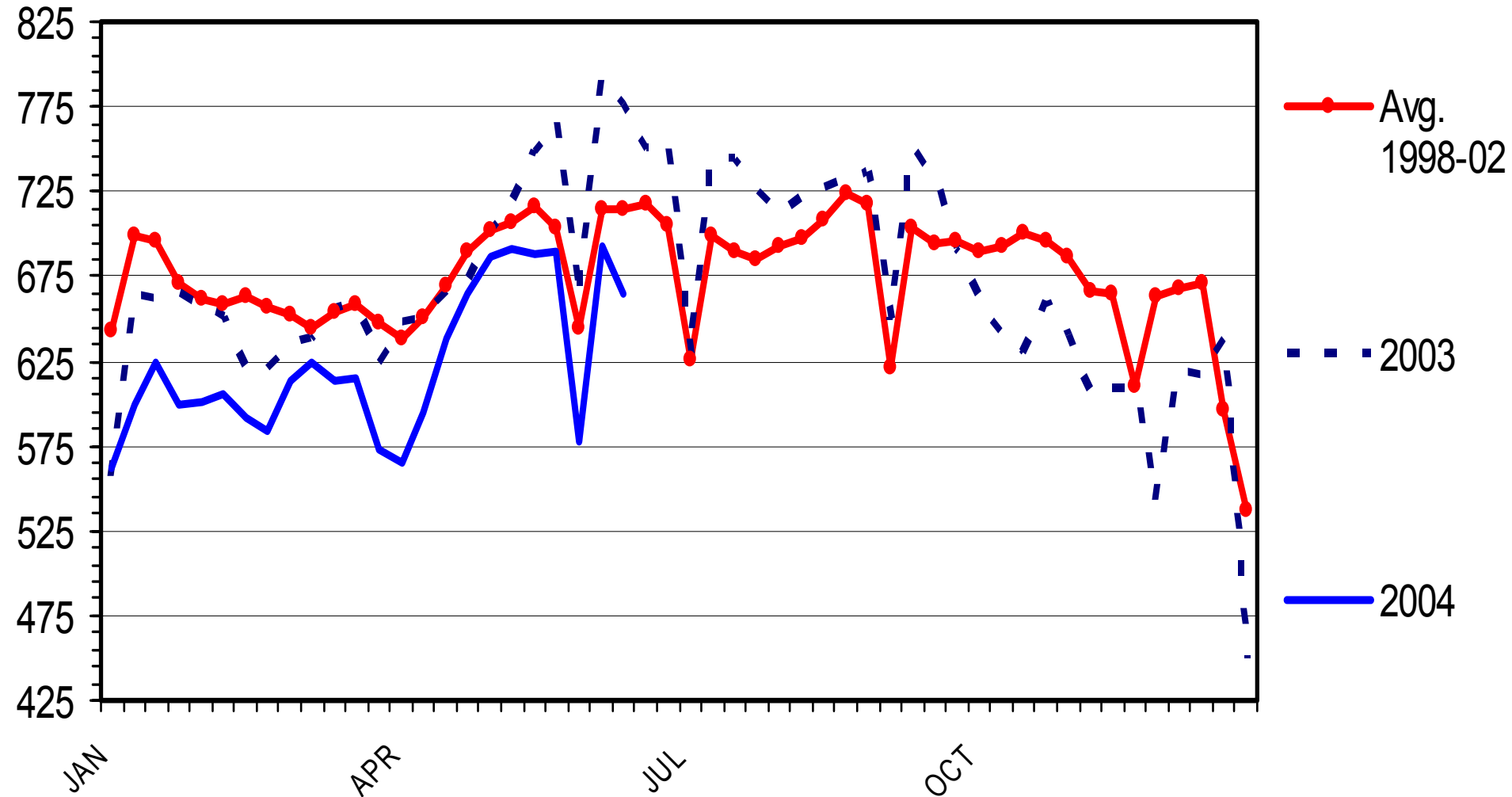
# Long-Term Inventories

- The highest cattle prices usually occur during the accumulation (rebuilding) phase of the inventory cycle.
- When that occurs will depend on weather, but should be in the next several years.

# CATTLE SLAUGHTER

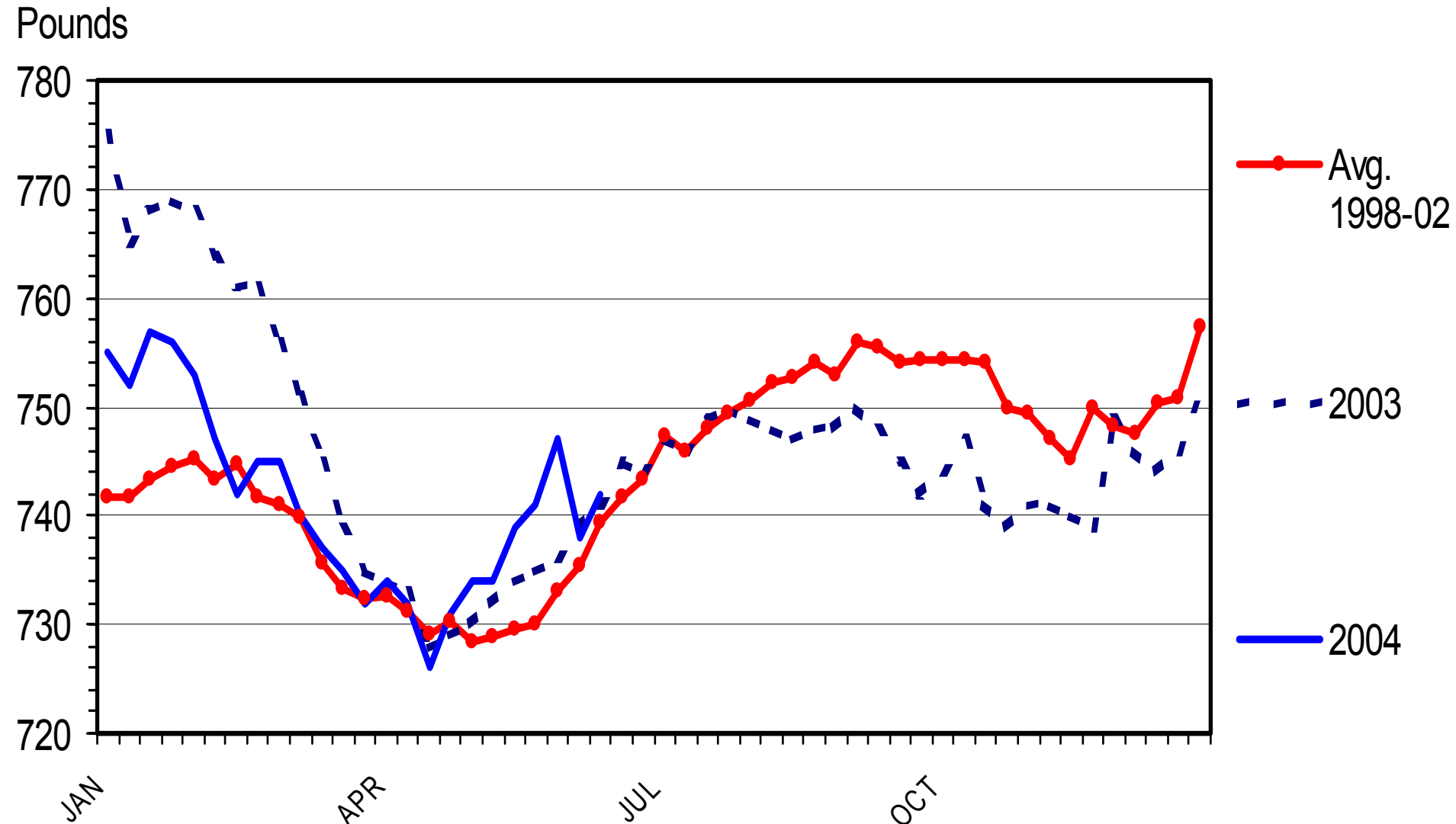
Federally Inspected, Weekly

Thou. Head

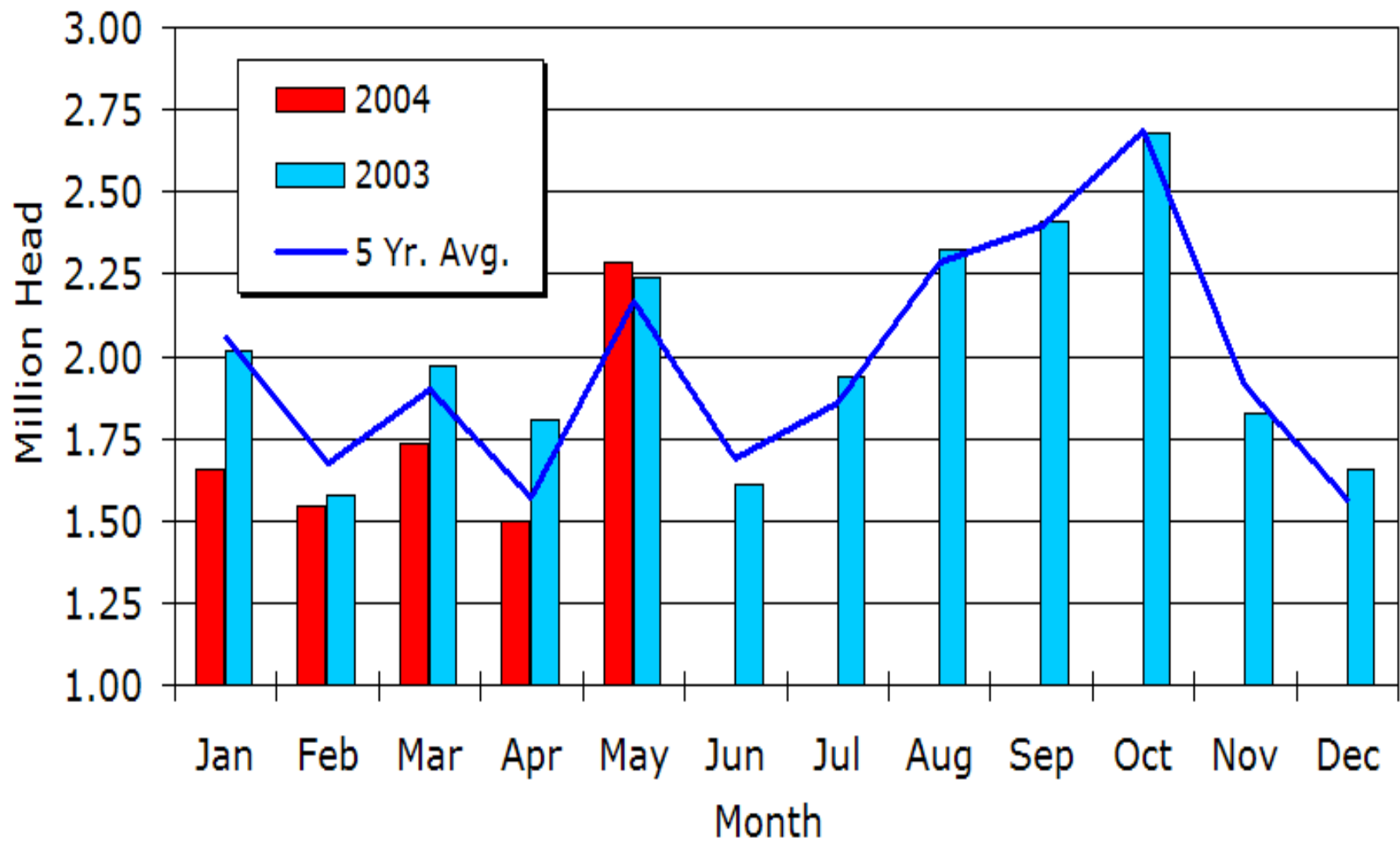


# CATTLE DRESSED WEIGHT

Federally Inspected, Weekly



# U.S. Net Placements Lots Over 1000 Head



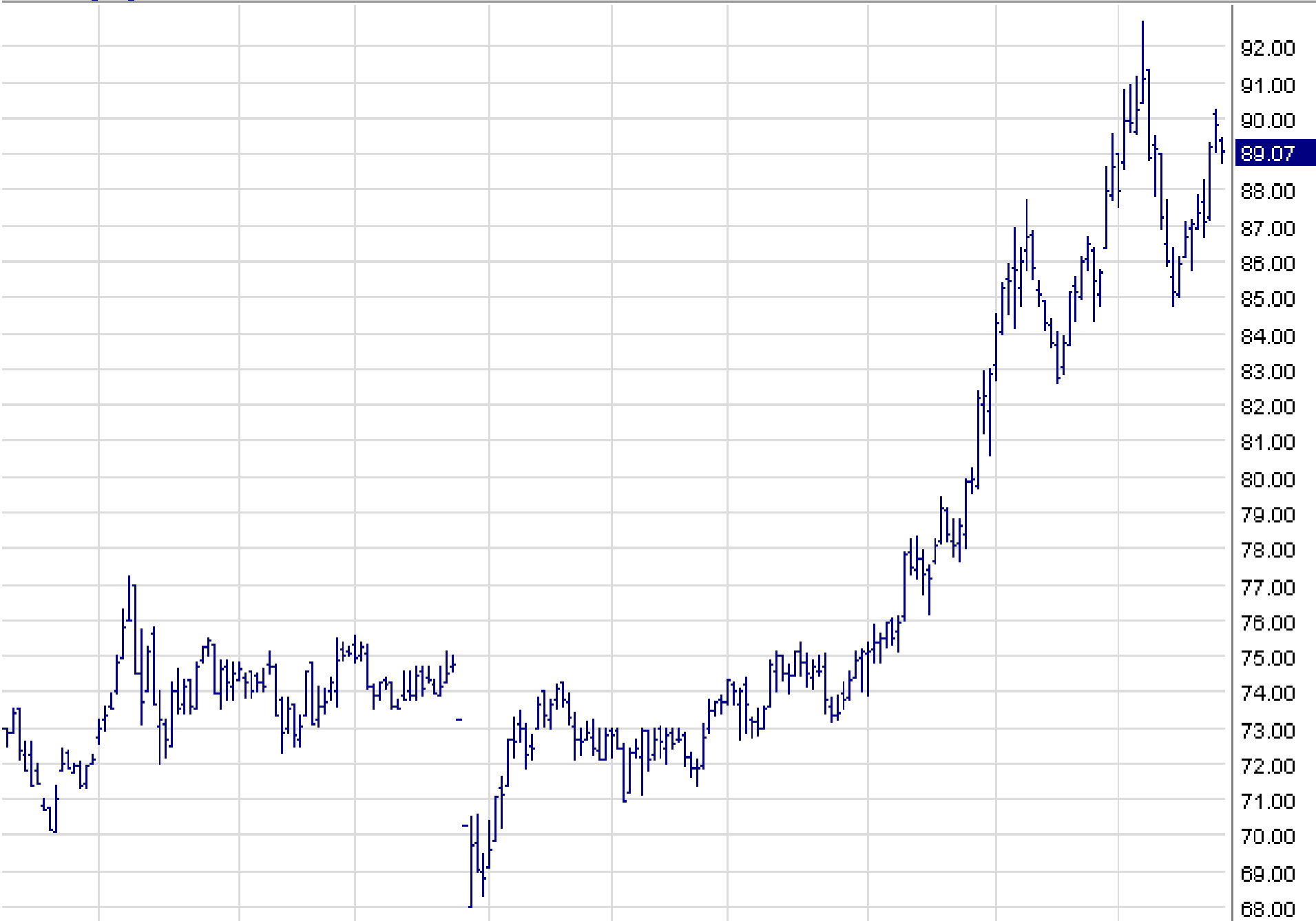
# Short-Term Supplies

- Weights continue to run 2 to 4% above 2003, while slaughter numbers 6 to 8 % below 2003.
- Seasonal Price Patterns Seem Likely in Summer and Fall

# Live Cattle Futures

## June 24, 2004

Contract	Month	Time	Last
Live Cattle	Jun '04	16:08:39	90.00 <sub>y</sub>
Live Cattle	Jul '04	16:08:39	89.20 <sub>y</sub>
Live Cattle	Aug '04	16:08:39	89.82 <sub>y</sub>
Live Cattle	Sep '04		
Live Cattle	Oct '04	16:08:39	89.65 <sub>y</sub>
Live Cattle	Dec '04	16:08:39	89.20 <sub>y</sub>
Live Cattle	Feb '05	16:08:39	89.62 <sub>y</sub>
Live Cattle	Apr '05	16:08:39	86.77 <sub>y</sub>
Live Cattle	Jun '05	16:08:39	82.00 <sub>y</sub>



92.00  
91.00  
90.00  
89.07  
88.00  
87.00  
86.00  
85.00  
84.00  
83.00  
82.00  
81.00  
80.00  
79.00  
78.00  
77.00  
76.00  
75.00  
74.00  
73.00  
72.00  
71.00  
70.00  
69.00  
68.00

Oct      Nov      Dec      '04      Feb      Mar      Apr      May      Jun      Daily

# Feeder Cattle Futures

## June 24, 2004

Contract	Month	Time	Last
Feeder Cattle	Aug '04	09:21:12	<b>113.45</b>
Feeder Cattle	Sep '04	09:21:19	<b>111.25</b>
Feeder Cattle	Oct '04	09:20:19	<b>109.35</b>
Feeder Cattle	Nov '04	09:21:02	<b>107.50</b>
Feeder Cattle	Jan '05	09:17:05	<b>103.60</b>
Feeder Cattle	Mar '05	16:08:13	<b>99.50<sub>y</sub></b>
Feeder Cattle	Apr '05	16:08:13	<b>98.30<sub>y</sub></b>
Feeder Cattle	May '05	16:08:13	<b>97.50<sub>y</sub></b>
Feeder Cattle	Index	16:08:24	<b>114.63<sub>y</sub></b>

# FCQ04 [10] - Feeder Cattle

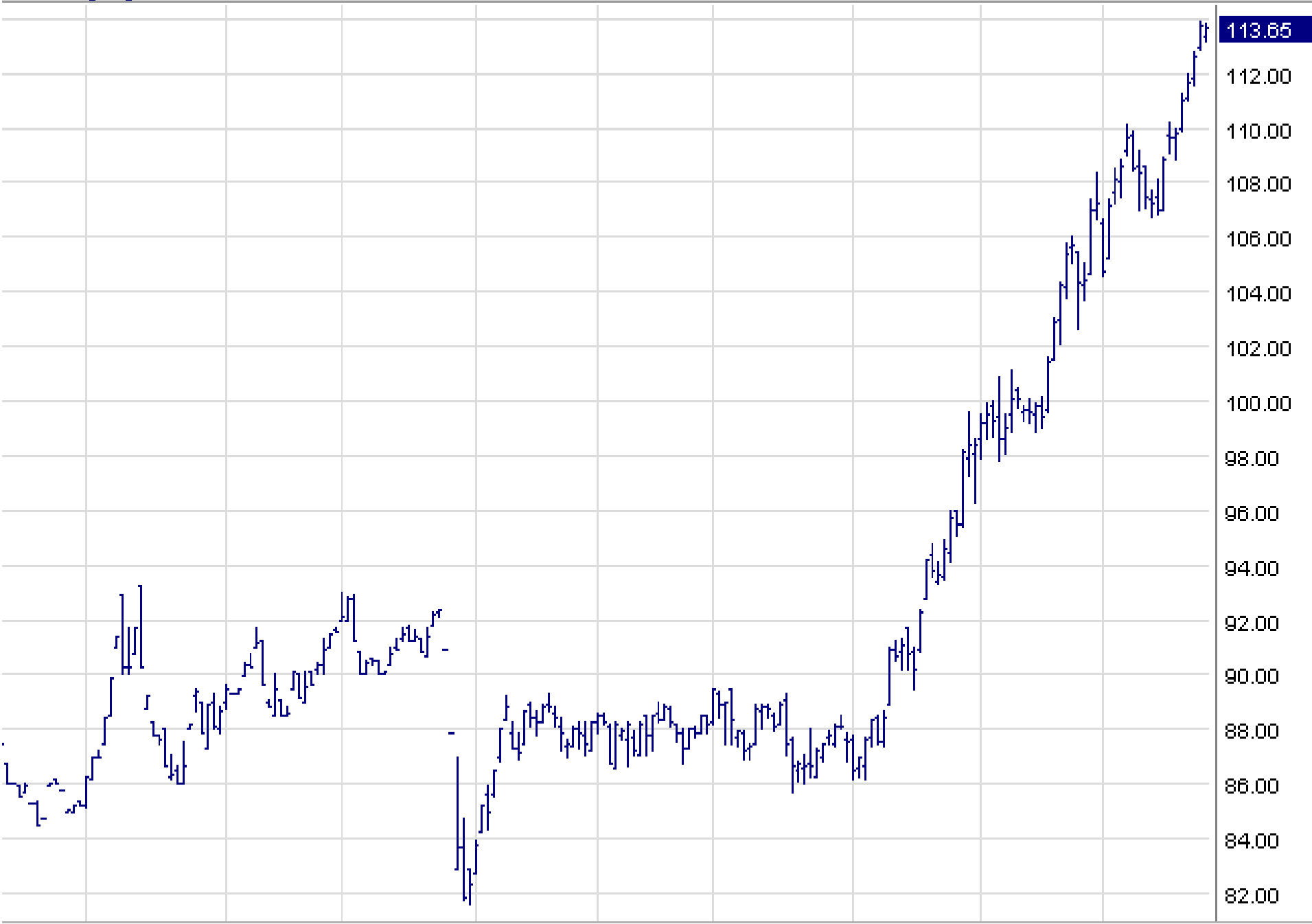
LAST: 113.65

CHANGE: ▼ 0.07

HIGH: 113.85

LOW: 113.15

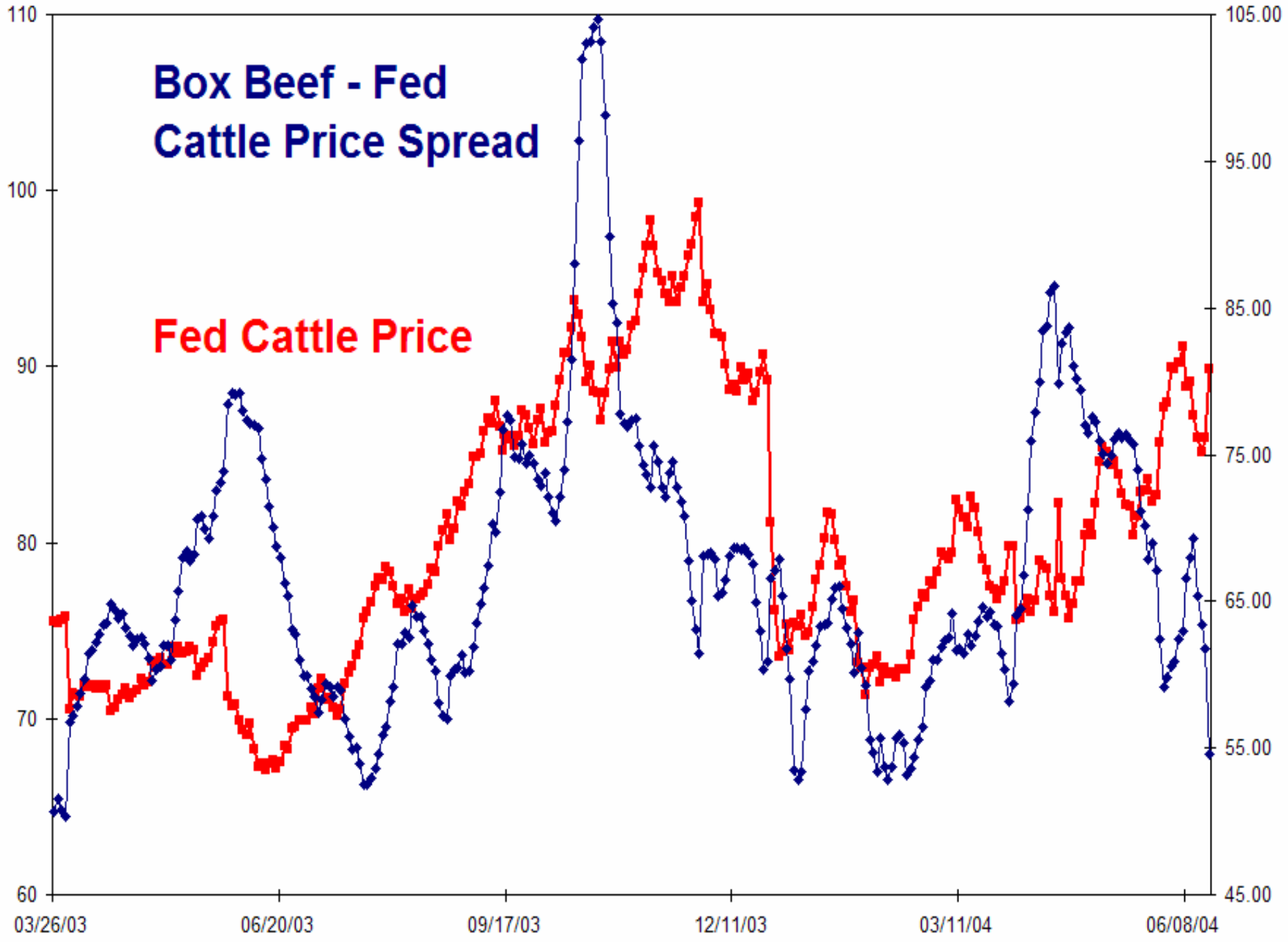
6/25/2004



Oct      Nov      Dec      '04      Feb      Mar      Apr      May      Jun      Daily

**Box Beef - Fed  
Cattle Price Spread**

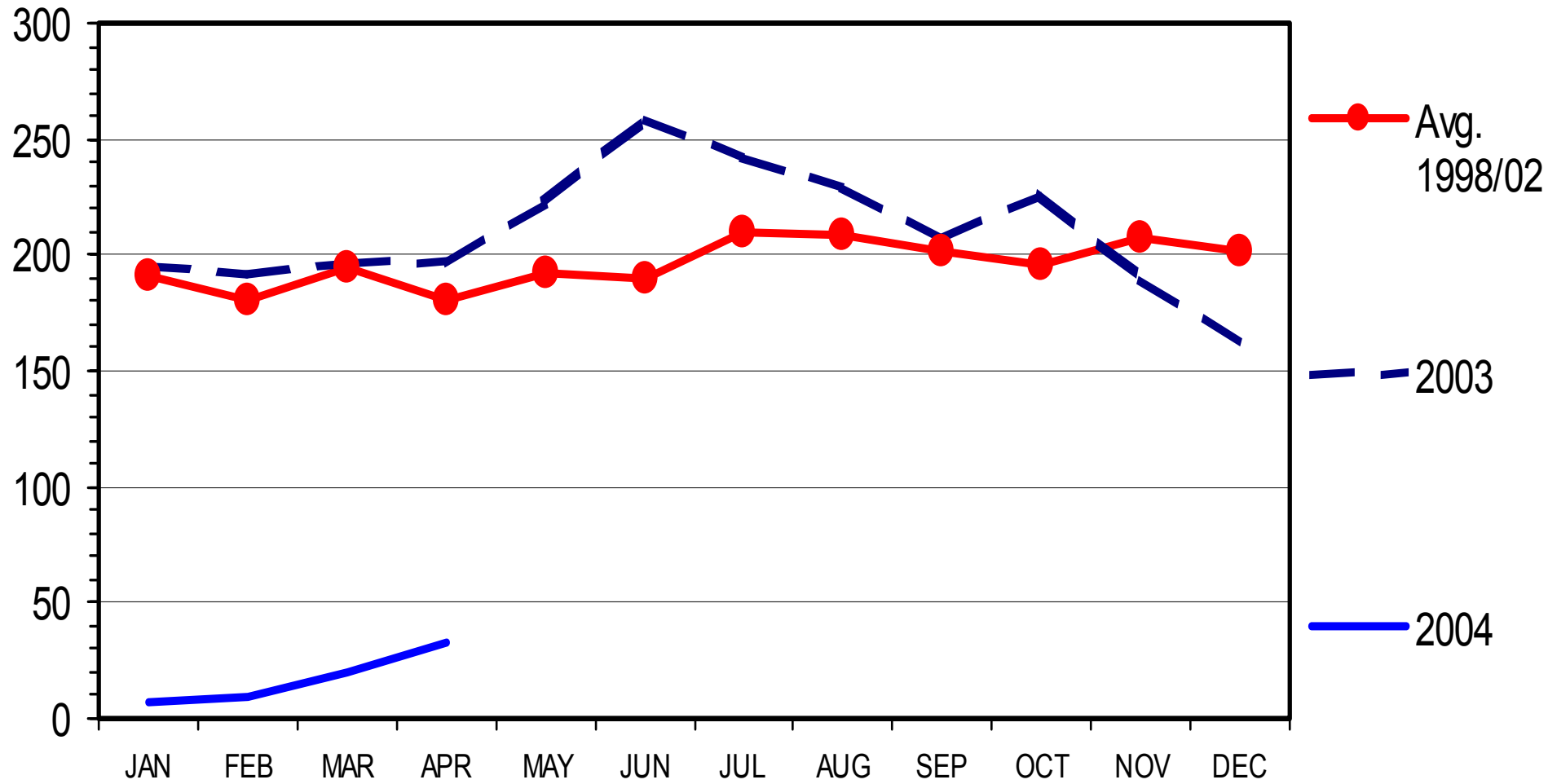
**Fed Cattle Price**



# U S BEEF AND VEAL EXPORTS

Carcass Weight, Monthly

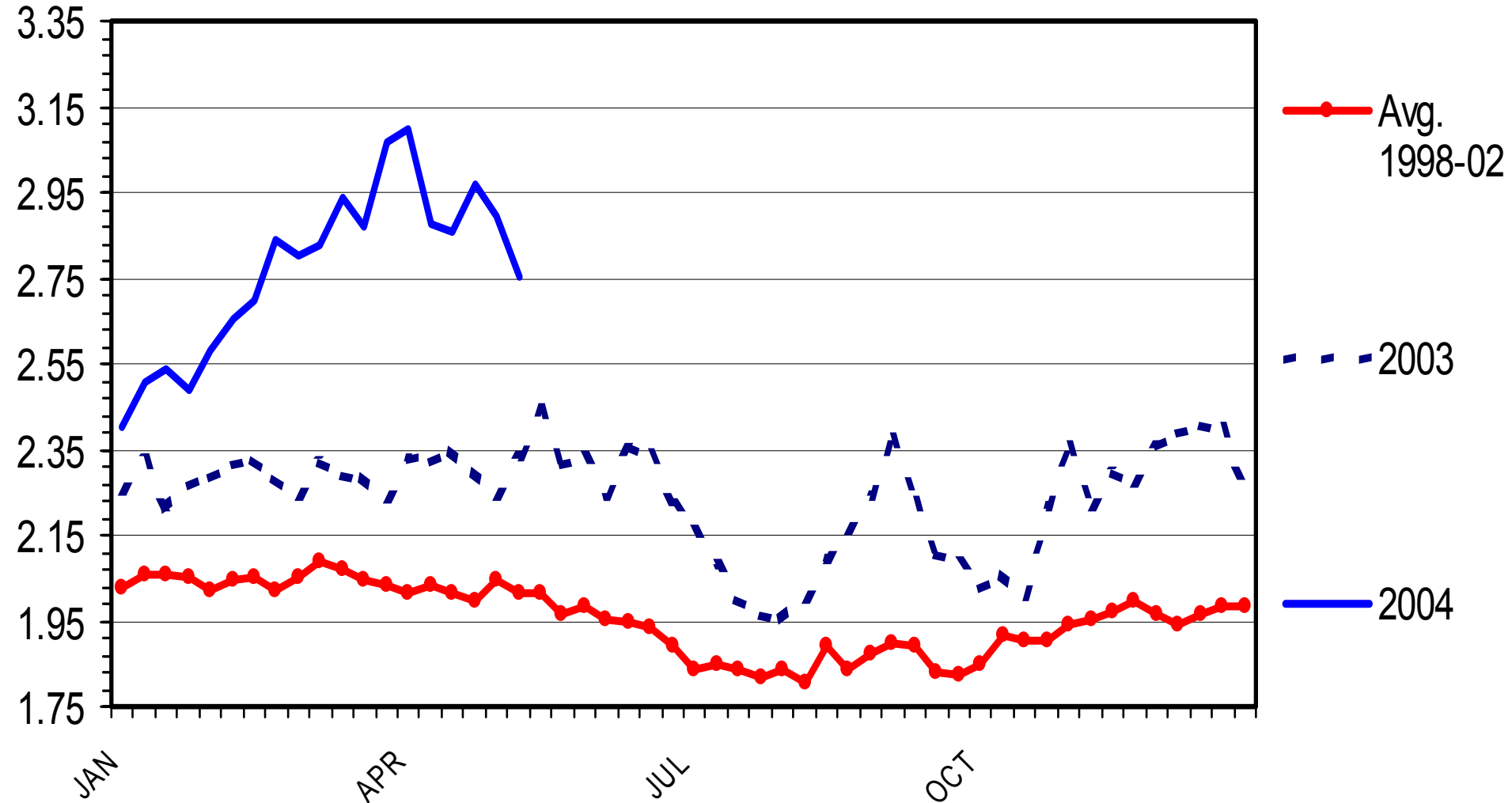
Mil. Pounds



# OMAHA CORN PRICES

## Weekly

\$ Per Bu.

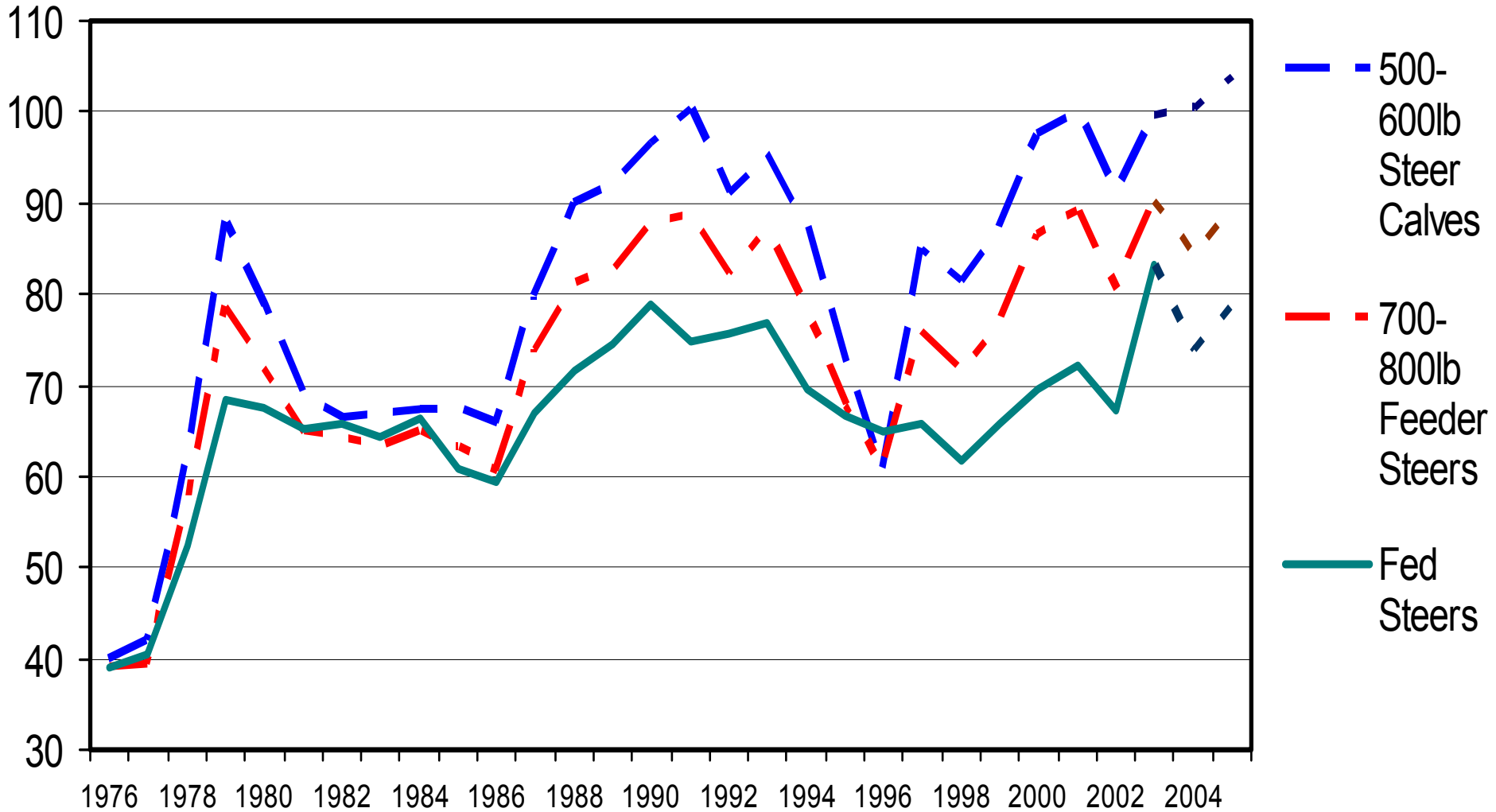


# Feed Outlook

- Each \$0.10 change in corn causes \$1.00 change in feeder cattle prices.
- 2003 was a record crop in US.
- 2004 ? USDA predicting record, but we need it.
- Corn Belt weather will be critical.

# ANNUAL AVERAGE CATTLE PRICES

\$ Per Cwt



# Outlook Summary

- Remainder of 2004
  - Seasonal Weakness into Mid-Summer
  - Prices Strengthening into Fall
  - Japanese Border Open??
- 2005
  - Slightly Higher Prices on Lower Beef Production
  - USDA Projects 2 % decline in beef production
  - If Trade Resumes to Normal, Prices Eclipse 2003.