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## STRONG BEEF DEMAND NEEDS TO CONTINUE

Improved beef demand is supporting fed and feeder cattle prices at profitable levels throughout the entire beef chain. Following the pattern started in 1999, ***January – mid April beef production was up 1.6 percent while Choice steer prices were \$7/cwt or 11 percent higher as well.*** Choice boxed-beef prices were \$13 higher and the Choice-Select spread averaged \$3.45/cwt wider in February and March this year compared to last. This difference was due largely to a \$20/cwt higher price for Choice versus Select Loins. Continued price strength will depend heavily on demand, as supplies of market-ready cattle will swell into mid-year.

The USDA Cattle on Feed report estimated 9.57 million cattle in feedlots April 1 in the 7 states. This number is 8 percent more than the year before and 11 percent above the 1995-99 average. March placements were down 1 percent from 1999 and the first year-over-year decline since July. Marketings were up 5.8 percent in March.

Based on placement weights and dates, April-June feedlot marketings are expected to be approximately 900,000 head, 15 percent greater than the same period in 1999. This would require weekly fed cattle marketings to average 69,000 head more than last year for the 13-week quarter. While it is difficult to estimate weekly slaughter capacity, the largest weekly total in recent years was 763,000 head in June 1996. Since then however, three smaller fed cattle plants and at least two cow plants have closed.

Figure 1 shows weekly slaughter for 1999 and a projection for 2000. The 2000 line uses actual values through the third week of April, then increases weekly slaughter 5 percent over the same week the year before. The graph also identifies the largest slaughter week in 1999 (741,000 head). Luckily, non-fed slaughter will be lower this summer and should relieve some pressure on packer capacity.

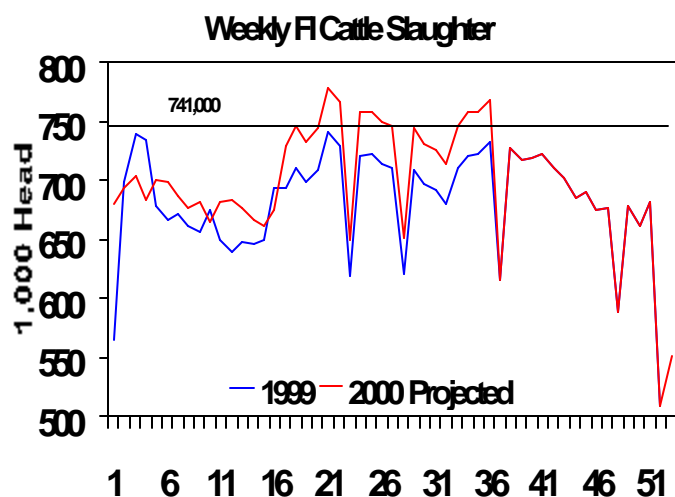


Figure 1

The mild winter and aggressive marketings have likely pulled some cattle ahead and may reduce the summer bulge of cattle. However, fed slaughter January through April is only one-half a percent larger than the same period in 1999. Weights declined to levels below those of last year in late March and should decline seasonally until Memorial Day. Given the increase in feedlot inventories compared with last year, cattle feeders have a marketing challenge ahead of them. However, we will need several weeks over 700,000 head to stay current.

If the packer's capacity is hit, prices will likely suffer. However, unlike the fall of 1998 in the hog market when the capacity was matched, demand for the product is very strong and packers are able to move the additional products. Seasonal price patterns favor declining prices through May and June as numbers increase. The average price change from high to low within a year since 1973 has been \$13.29/cwt live basis with \$6.10 being the smallest. Iowa Choice steer prices for the last week of April averaged over \$74. Thus, we would need the best year in recent history to keep prices above \$68 for an annual low if we are at our spring high. Continued strong demand may soften the decline. A marketing backlog or weekly slaughter near capacity could push prices into the low \$60s. A projected decrease in placements that started in March should reduce fed cattle supplies by fall and strengthen prices back into the low \$70s for the fourth quarter.

Feeder cattle should continue to be valuable property into this fall and beyond. Feeder cattle sellers should consider the risks of feedlot losses and a possible Midwestern drought reducing buyer enthusiasm. Dry conditions could bunch marketings of feeder cattle coming off of short pastures and reduce saleable pounds. Feedlots may want to watch for weather forced sales as opportunities for buying feeder cattle. A smaller corn crop will increase cost of gain, also reducing feeder cattle prices.

For market information and updated forecasts from Iowa State University and other universities, visit the Iowa Beef Center web site, [www.iowabeefcenter.org](http://www.iowabeefcenter.org), and click on "Related Sites" for market information. The Livestock Market Information Center has weekly updates and links to other universities.

**John Lawrence**

## **WEATHER AND OTHER CONCERNS AFFECT GRAIN PRICES**

Current grain market psychology reflects a mixture of uneasiness about U.S. weather and crop prospects, earlier than normal plantings of most major crops, substantial but declining Chinese soybean purchases, and South Korea's recent halt in purchases of Chinese corn. *Of these various factors, weather is the most dominant, and likely will remain dominant for some time. New and old-crop soybean prices have been in a slight uptrend in the last few weeks, while corn prices have traded in a narrow range.* Differences in price trends may reflect expectations that early corn plantings may translate into less-than-expected soybean planted acreage.

### **The Dry Area...**

Cumulative precipitation data since January 1 indicate soil moisture should be fully replenished in most of the Corn Belt east of the Mississippi and south of the Iowa border. There are limited pockets of exceptions to this. West of the Mississippi, a triangle-shaped area starting from the southeastern corner of Iowa has had significant soil moisture recharge. The driest area of Iowa is north of Interstate 80 and west of Interstate 35. Currently, much of southern Minnesota, South Dakota, and Nebraska also have had months of below-normal precipitation. Potential impacts on Nebraska corn yields are tempered by the fact that much of its production is irrigated (probably 85% or more of the bushels in a "normal" year). However, somewhat less of its soybean production is on irrigated acres. This dry area, excluding Nebraska irrigated corn production, accounts for roughly 20% of a normal U.S. corn crop.

Suppose rainfall remains well below normal in the same area through summer and the dry region's average yields are 25% below normal, but precipitation patterns continue as they have since January 1 and temperatures are not extreme. That combination would be expected to reduce the U.S. corn yield by about 5% from normal. Soybean yield impacts would be heavily influenced by August rainfall. With these weather conditions, a similar percentage impact on

the U.S. average soybean yield would be expected. With the resulting crops, market rationing of corn and soybean utilization would not be anticipated. Barring serious foreign crop problems, the anticipated U.S. corn carryover on August 31, 2001 would be expected to be about double the normal minimum working stocks needed at the end of the marketing year, but down from about 2.7 times the minimum pipeline stocks anticipated this year. The anticipated soybean carryover would be about three times the minimum needed pipeline stocks vs. approximately 2.8 times this year. Some of this potential yield reduction already is in the market. A major rise in corn and soybean prices from current levels would seem to require a shift to substantially drier weather east of the Mississippi and south of the Iowa border.

### **Crop Progress...**

Planting progress for major crops, except for grain sorghum, was well ahead of normal by April 23. An estimated 19% of the corn in major states was planted compared with a normal 10% planted on that date. Illinois reported 31% of its corn crop planted, along with 10% in Iowa and 11% in Indiana. Early planting is usually considered to increase the chances for good yields. That should still be true in areas where soil moisture is normal or better, but in the dry areas of Iowa and neighboring states, prospects are much more clouded. To access the full USDA report, go to the following web site: <http://usda.mannlib.cornell.edu/usda/usda.html>

The winter wheat crop, except for Texas, has recovered substantially from earlier stresses. Sixty-one percent of the U.S. crop was reported in good-to-excellent condition on April 23. That was still down from the 69% classified good to excellent a year ago. Texas normally produces about 5% of the U.S. wheat crop.

### **Export Developments...**

Cumulative U.S. corn exports to all destinations since September 1 and outstanding unshipped sales as of April 20 were 4.5% above a year earlier. Exports and sales performance varied considerably by country, with strong performance relative to last year to Africa, and Taiwan, and a modest increase in exports to Japan. However, one should be careful not to attribute all of the strength in these markets to demand growth. A substantial part probably is due to (1) reduced Southern Hemisphere supplies from last spring's harvest and (2) drought in North Africa and the Middle East. The corn total to Mexico is 9% below a year earlier, and is down 43% to South Korea. The sharp decline in exports and sales to South Korea reflects large corn exports from China, much of which was destined for Korea. In the last couple weeks, Korean buyers have halted purchases of Chinese corn, fearing that it might be the source of foot and mouth disease in the Korean livestock industry. Currently, Korean users look to be well covered for some time, and appear to be waiting for lower prices before extending coverage with U.S. corn. A major shift to U.S. corn in Korea would create pressure for China to lower its corn export prices further and attempt to move its supplies to other Asian markets.

Last year's U.S. soybean exports were much more depressed than for corn. Cumulative U.S. soybean exports since September 1 and unshipped sales as of April 20 were up 17% from a year earlier. Exports and sales to Mexico, Taiwan, and South Korea were up slightly. The sharpest increase in exports and sales was to China, up 105% or 68 million bushels from last year. A small part of this increase was offset by reduced Chinese imports of U.S. soybean meal and oil. To access this report, go to this web site: <http://151.121.3.140/export-sales/>.

### **February Soybean Crush...**

The Census Bureau's recently released February crush report indicated soybean crushings for the month were seven percent below a year earlier. Despite the reduced crush, end of month soybean oil stocks were up 21 percent (about the same as at the end of January) and meal stocks were up 11 percent from a year earlier. These reports are found at: <http://www.census.gov/ftp/pub/industry/1/m20j0003.pdf> and <http://www.census.gov/cir/www/m20j.html>.

**Robert Wisner**