Cattle Market Update

Fed cattle prices continue to run higher than the same time period in 2004. Iowa Choice steer prices averaged over $92 during the last week of April, off slightly from the week before and $5/cwt higher than the same week last year. Slaughter is 622,000 about 40,000 fewer than the year before. Carcass weights are 13 pounds heavier.

Seasonally, cattle slaughter will begin increasing adding to supplies at the same time that grilling demand will begin to increase. Typically, the larger supplies win out over the demand and prices decline. Only 2 out of 10 years in the 1990s did fed cattle prices increase from week 17 to week 19. Prices are expected to weaken as we move into the summer this year as well.

The other seasonal pattern that is right on schedule is the widening Choice – Select spread. It was $16.00 on April 29 and had been as low as $2.44 the first week of March. The Choice Select spread typically peaks near Memorial Day before returning to the $4-8 range in the summer.

Retail beef prices have been above $4/lb with a couple of exceptions since November 2003. March 2005 prices were $4.21, 9 cents higher than the month before and 24 cents above March 2004. The first quarter demand index calculated by Dr. Wayne Purcell at Virginia Tech University was 58.281, lower than the previous quarter, but about were it was first quarter of last year. This index was at 100 in 1980 and had been less than 48 first quarter 1999. One of the reasons for recent weakness may be retail beef prices compared to competing meats. Figure 1 shows the retail beef price divided by the retail pork price for Jan-86 to Mar-2005. This ratio peaked in November 2003 at 1.59. This compared to 1.20 or less in the late 1990s. The March 2005 value was 1.50 making pork look like a better value for some consumers.
Herd Rebuilding Continues

First quarter cattle slaughter suggests that beef producers are trying to rebuild their herds. Steer slaughter was unchanged from the year before, but heifer and cow slaughter were off 8% and 6% respectively. These changes are in addition to the reduced slaughter in 2004 where cow slaughter was 15% lower than 2003.

Cattle Slaughter and Carcass Weights
1st Quarter 2005 v. 2004

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Cow slaughter was lower in 2004 and cow live and cutout prices were higher than the year before. The table to the left shows that fed steer prices were about equal in the two years while feeder cattle prices and cull cow prices were higher. The steady fed cattle prices and lower steer cutout and by-product values pressured packer margins in 2004. It appears that these trends are continuing in 2005.

John Lawrence

Grain Markets Reflect Nervousness about Cool, Wet Weather & Planting Delays

Corn and soybean prices strengthened modestly until April 25, in response to rain, cool temperatures, and delayed plantings across the western Corn Belt. Since then, corn prices have become more volatile. At this writing, planting progress for the 18 major corn states as a group is still well ahead of the 5-year average, although it is lagging modestly behind last year’s record early pace. But grain traders see trend yields as being essential to produce crops matching expected utilization for the year ahead. Early plantings are believed by many traders to have been a very important factor in last year’s exceptionally high corn yields. New-crop prices for both corn and soybeans reflect moderate risk premiums. At this writing, harvest-delivery corn and soybean
prices in central Iowa are about 22 and 87 cents respectively above local loan rates. With trend yields, we would expect harvest-time corn prices to be below the loan rate, and soybean prices at least near the loan rate. The soybean risk premium reflects uncertainty about possible Asian rust problems in this year’s U.S. crop rather than concern about planting delays.

National Weather Service forecasts for the next several days indicate weather will be more favorable for planting in much of the area that has been delayed. Some rain is still in the forecasts for parts of Nebraska, and also in the eastern Corn Belt. National Weather Service forecasts can be accessed from our web site, in the right-hand column under “U.S. and South American Weather”. (http://www.econ.iastate.edu/faculty/wisner/).

Soybean price volatility also appears to have been increased by purchasing activity of index funds and other fund traders. The latest CFTC traders position report indicates speculative corn traders were net short, while soybean speculators were net long. Periodic strength in corn futures in the last 10 days may have been short covering purchases. National Weather Service 60-day forecasts calling for cooler and wetter than normal conditions in the Midwest also added to nervousness about crop prospects.

**Corn Planting Progress**

![Figure 1. Corn Planting Progress April 24, 2005 vs. Normal](image1.png)

![Figure 2. Corn Planting Progress April 24, 2005 vs. A Year Earlier](image2.png)

After a rapid early start, wet weather halted plantings across much of Iowa, Minnesota, Nebraska, and parts of South Dakota the week of April 18-22. At this writing, a similar but slightly drier weather pattern is continuing into the week of April 25-29. East of the Mississippi and in Missouri and Kansas, dry weather allowed plantings to move well ahead of last year’s extremely early pace. Planting progress for major producing states, and comparisons with last year and normal are shown in Figures 1 and 2 below. Planting progress is ahead of the 5-year average in 14 of the 18 major corn states. Exceptions are Iowa, Minnesota, Nebraska, and Tennessee. These four states account for about 36% of the total intended U.S. corn plantings. Thus, states that are ahead of the 5-year average planting rate account for about 64% of the U.S. intended corn acreage. Figure 2 shows reported percentages planted by state and comparisons with last year’s extremely early plantings. Plantings are well ahead of last year’s early season in Illinois, Indiana, Ohio, and Michigan, and are at least 4 percentage points ahead of last year in six other states. For the week of April 25, large areas of the Midwest had rain, with amounts varying widely, depending on the location. Modest planting progress appears to have been done, but it is quite doubtful that Iowa, Minnesota, and Nebraska plantings will catch up with last year in the May 2 USDA report.
USDA has not yet reported soybean planting progress, but plantings of sorghum, barley, oats, and spring wheat all were ahead of last year and normal on April 24. The May 2 report should show this year’s soybean planting progress. Wet weather has delayed plantings in some southern states, as well as in the western Corn Belt.

So far, the western Corn Belt delay in corn plantings vs. last year’s extremely early plantings pace does not appear to be a serious threat to yield potential. If significant delays were to continue into USDA’s May 9 weekly crop progress report, there would be a potential for modest additional strength in new-crop corn prices. But current weather forecasts suggest plantings likely will have accelerated substantially by that date. USDA crop progress reports released late each Monday afternoon can be accessed from our web site by clicking on “Crop progress and condition” in the right-hand column.

Figure 3 below puts this year’s corn planting progress, and comparisons with recent years and the five-year average planting progress. This year’s plantings, though behind last year, were the second most advanced for late April.

**Soybeans: Asian Rust found in Georgia**

On April 27, USDA and the University of Georgia reported that Asian soybean rust had been found on volunteer soybeans in one field in extreme southwestern Georgia. This is the first finding of Asian rust on U.S. soybeans in 2005. Elwynn Taylor, ISU Extension Climatologist, indicates winds normally would not be expected to carry spores from rust in that area into the Midwest. Rust also has been found on kudzu weeds in three counties in central Florida. Current locations of scouting for Asian rust and sightings can be found on our web site by clicking on “Asian Rust” in the right-hand column. Click on “Current Asian Rust Map” in the resulting menu. Enlarging the map will show the location of the county in southwestern Georgia where the rust was found.

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**FIGURE 3. U.S. CORN PLANTING PROGRESS, SELECTED YEARS AND 1999-03 AVERAGE**

![Graph showing corn planting progress over weeks from April 1 to June 3, with data for 2002, 2003, 2004, 1999-03 Avg., and 2005.]

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Together, these three states accounted for ½% of the U.S. crop. For comparison purposes, combined production in Story, Boone, and Marshall Counties in central Iowa last year exceeded total production of these three states by 25%.
Export Sales
After a month of moderately improved sales, U.S. corn export sales dropped back below levels needed to meet official projections for the marketing year. Outstanding U.S. corn export sales through April 21 and exports to date were down 12% from a year earlier. For the marketing year, USDA projects a 5% decline. Export sales this summer will depend on foreign crop prospects, especially in Canada, Europe, the former Soviet republics, and China. Crop indicators so far look positive for Europe and the former Soviet republics. For Canada and China, it is still too early to get a good reading on crop prospects.

Outstanding soybean export sales and shipments since last September 1 are up about 16% from a year earlier. So far, soybean export sales look to be about on track with official projections, and could possibly be a little higher than currently projected. For the marketing year, USDA projects a 22% increase. Last summer’s U.S. exports were quite small because of short U.S. supplies.

Robert Wisner