



New Mexico Agricultural
Statistics Service

Weekly Ag Update

Issue 54-05

1-800-530-8810

e-mail: nass-nm@nass.usda.gov

January 26, 2004

INCLUDED IN THIS ISSUE

Cattle on Feed ERS Weather Summary

Available on Internet at: www.nass.usda.gov/nm OR by e-mail (call 1-800-530-8810 for information)

CATTLE ON FEED

NEW MEXICO: Cattle and calves on feed for the slaughter market in the United States for feedlots with capacity of 1,000 or more head totaled 115,000 head, down from the December 2003 total of 121,000 and below the 119,000 head one year ago. Placements in the state totaled 14,000 while marketings remained steady at 17,000 head. Other disappearance totaled 3,000 during December.

UNITED STATES: Cattle and calves on feed for slaughter market in the United States for feedlots with capacity of 1,000 or more head totaled 11.2 million head on January 1, 2004. The inventory was 6 percent above January 1, 2003 but 3 percent below January 1, 2002. Placements in feedlots during December totaled 1.75 million, 10 percent above 2002 and 11 percent above 2001. Net placements were 1.66 million. Marketings of fed cattle during December totaled 1.74 million, 3 percent below 2002 and 4 percent below 2001. Other disappearance totaled 90,000 during December, 9 percent below 2002 and 3 percent below 2001.

Cattle on Feed: Number on Feed, Placements, Marketings, and Other Disappearance, 1,000+ Capacity Feedlots ^{1/}

State	Number on Feed			Placed			Marketed			Other Disappearance ^{2/}		
	1/1/03	12/1/03	1/1/04	-----DURING-----								
				12/02	11/03	12/03	12/02	11/03	12/03	12/02	11/03	12/03
	-----1,000 Head-----											
AZ	289	284	293	25	26	32	27	19	22	4	1	1
CA	490	500	510	55	62	70	55	52	55	10	5	5
CO	1,020	1,060	1,040	145	185	180	185	165	190	10	10	10
ID	295	310	300	44	64	53	47	47	60	2	2	3
IA	355	370	370	65	77	50	59	56	48	1	1	2
KS	2,200	2,480	2,430	390	425	410	470	350	435	20	25	25
NE	2,140	2,280	2,280	340	410	350	370	260	340	10	10	10
NM	119	121	115	12	22	14	15	17	17	1	2	3
OK	330	350	355	34	56	53	41	51	45	3	5	3
SD	205	200	200	38	54	31	27	30	30	1	1	1
TX	2,630	2,840	2,830	360	440	420	400	410	410	30	30	20
WA	185	205	195	32	46	30	40	35	38	2	1	2
Oth Sts	335	330	330	55	59	55	65	45	50	5	4	5
US	10,593	11,330	11,248	1,595	1,926	1,748	1,801	1,537	1,740	99	97	90

^{1/} Cattle and calves on feed are animals for slaughter market being fed a ration of grain or other concentrates and are expected to produce a carcass that will grade select or better. ^{2/} Includes death losses, movement from feedlots to pastures, and shipments to other feedlots for further feeding.

LIVESTOCK, DAIRY, AND POULTRY OUTLOOK

Economic Research Service, USDA

January 2004

BSE Cow Creates Uncertainty, Swells Domestic Beef Supplies:

Confirmation of a single dairy cow in Washington State on December 23 with bovine spongiform encephalopathy (BSE) has resulted in a whirlwind of activity in the beef sector, including importers either banning or restricting the importation of beef and cattle from the United States. The dairy cow was born in Canada prior to the 1997 Canadian and U.S. ban on feeding meat protein to ruminants, and was imported into Washington State in 2001. The Department has set up a web site to monitor the BSE situation: <http://www.usda.gov/BSE/>, which includes the ERS site on U.S. Beef Industry Statistics.

In recent years, the United States has exported 9 to 10 percent of commercial beef production, with Japan, South Korea, Mexico, and Canada the destination for about 90 percent of U.S. exports. The market with Canada remains open, but has been restricted to boneless product from cattle under 30 months of age. This is the same restriction the United States placed on beef imports from Canada in August. The United States is in negotiations with our major trading partners to resume export trade. This report reflects actions announced by importing countries as of January 11. Due to the uncertainties as to the length of the bans, it is assumed that these restrictions will remain in place until such time as importing countries announce a change in policy. Subsequent forecasts will reflect any announced changes. The January 1 *Cattle on Feed* and *Cattle* inventories will be released on January 16 and January 30, respectively. The present forecasts will be updated in the *World Agricultural Supply and Demand Estimates* on February 10 and in the *Cattle/Beef* quarterly which will be released on February 17 in the *Livestock, Dairy, and Poultry Outlook*.

Market Seeks Stability Following October Peak: Beef supplies became progressively tighter throughout 2003, and markets were forced to adjust to these tight supplies by rationing product. Production for the year was down about 3 percent, with fourth-quarter production down 12 percent.

Beef prices rose through mid-October and some end users may have been priced out of the market. Sharply higher prices encouraged cattle feeders to market cattle ahead of schedule—at lighter weights and with fewer cattle grading Choice and Prime. In the fourth quarter, prices and fed cattle marketings began to seek a balance as some end users dropped out of the market and fed cattle marketings slowed to get more cattle into the higher grades. Monthly fed cattle prices peaked in October at \$105.50 per cwt, up nearly 62 percent from a year earlier, but had declined to the low \$90s by December just before the discovery of the cow with BSE. Prices fell to the mid-\$70s in early January,

in very thin post-holiday trading. Similarly, monthly light Choice boxed beef prices peaked in October at \$176.06 per cwt, up 58 percent from a year earlier, and declined to near \$155 in December. Prices dropped to the upper \$120s in early January before rising to near \$140 in mid-January. In January 2003, Nebraska Direct steer and light Choice boxed beef prices averaged \$77.18 and \$128.59 per cwt, respectively.

The market is now in the process of making essentially overnight adjustments away from very tight supplies of high quality beef to a sharp increase in high quality beef supplies as product destined for export must be utilized domestically. This surplus could grow to 2.4 billion pounds if most major export markets remain closed for the entire year. Just as high prices help ration product in a tight market, lower prices are the means of attracting users to absorb sharply larger supplies of beef, particularly higher quality export beef. Fortunately for the market these large supplies are occurring at a time when the meat pipeline is drawn down. Over the holidays slaughter levels decline, and much of the marketing infrastructure operates at a much-reduced level as attention turns to spending time with family. Over the first couple of weeks in January, the wholesale/retail pipeline is replenished. This time a large supply of beef is being reallocated to the domestic market, and lower prices are encouraging the return of end users that could not compete last fall and dropped out or at least pulled back because of record prices.

Export Beef Absorbed in Domestic Market: An estimated 80 to 90 million pounds of beef were either in transit or already in dock in export countries when the BSE finding was announced and the ultimate use of this beef is uncertain. More important is the reallocation of approximately 2.4 billion pounds of beef to the domestic market that otherwise would be exported in 2004. The Canadian market is the only major export market that remains open and is likely to import near the levels of recent years, although trade will be limited to boneless under 30 months of age. But Canada, which exports about 50 percent of its production, has had to absorb a much larger proportion of beef than the task faced by the U.S. market as a result of its BSE discovery. Canadian consumers have supported the cattle sector through increased beef consumption at very attractive prices after the first BSE cow was discovered in Canada on May 20. The BSE cow discovered in the United States has raised uncertainties on the level of beef/cattle prices necessary to encourage increased consumption to clear the market in both countries. Like in Canada, U.S. beef stocks will rise initially as the market adjusts and consumption will have to rise sharply to absorb the additional supplies until export markets are re-established. Through early January the U.S. beef markets appear to be fairly well supported.

Through November Japan remained our largest export market with nearly 37 percent of exports; Mexico was second with nearly 24 percent of exports, South Korea third with 23 percent, and Canada fourth with 9 percent. The remaining countries received nearly 8 percent of exports. Japanese imports from the United States rose nearly 23 percent from the depressed levels of a year earlier when BSE in Japan held down consumption. Exports to Mexico, South Korea, and Canada were down modestly from a year earlier.

Record Red Meat and Poultry Consumption Likely:

While slaughter levels remained below year-earlier levels through mid-January, steer and heifer dressed slaughter weights in early 2004 were over 30 pounds below a year earlier. However, cattle on feed inventories on December 1 were 4 percent above a year earlier and unless slaughter levels pick up, weights will begin to exceed the weatherstressed weights of a year earlier fairly quickly.

Beef production is expected to fall about 3 percent in 2003 and is expected to decline about 3 percent this year, reflecting the inventory reductions since 1996, but also reflecting continued poor forage conditions in many areas and uncertain prospects for 2004 spring and summer grazing conditions. In late 2003, approximately 38 percent of the beef cow inventory were within an area experiencing a moderate or more intense drought. Even with improved forage conditions decisions by producers to begin herd expansion will depend a lot on the reaction of the market and consumers to the present situation. The January 1 *Cattle* report will provide an indication of producer intentions to retain heifers for herd expansion. Cow slaughter in 2003 was over 5 percent above a year earlier and the largest since 1997.

Supplies of beef expected to be available for domestic consumption are likely to rise over 2 percent above the 2002 record, given sharply reduced exports. However, population gains result in per capita beef supplies rising to about 67.8 pounds per capita in 2004, up only slightly from 67.6 pounds in 2002, but up nearly 3.5 pounds from 2003. Encouraged by tight beef supplies and record beef prices in 2003, poultry and hog supplies remain large, and total red meat and poultry consumption is expected to be a record large 221.7 pounds, up from 220.5 in 2002 and 218.0 in 2003.

Beef Demand Remained Very Strong in 2003, But Prices To Be Tested in 2004: Fed cattle prices averaged \$67 per cwt in 2002, but rose to near \$85 in 2003. This year prices are expected to average \$72 to \$78 per cwt, but consumer reaction to large supplies of high quality beef at very favorable values is uncertain. Similarly the demand for feeder cattle is very uncertain, particularly given the uncertain forage conditions and stocker cattle demand. Demand for Mexican stocker/feeder cattle was very strong in 2003 as U.S. supplies remained tight and prices rose strongly.

Through November, feeder cattle imports from Mexico were up 54 percent from a year earlier. The strength in the domestic market and return to normal trading patterns will be important determinants of feeder cattle prices this year. Prices for 750-800 pound feeder cattle averaged \$80 per cwt in 2002, but rose to near \$90 in 2003. Prices in mid-January averaged in the mid-\$80s, and are expected to average in the low- to mid-\$80s in 2004.

Since the discovery of BSE in December prices for boning Utility cows have held together much better than fed cattle prices, with prices averaging only a couple dollars below December's \$48 average. So far domestic demand for processing beef seems to have held up well, and prices in the former export markets are up sharply now that U.S. exports have been banned. Consequently, the market appears to be concerned about supplies of lean processing beef, particularly since more fed beef trimmings will be available as export quality beef is forced onto the domestic market.

If beef cow slaughter drops off this spring as the grazing season begins, the demand for processing beef may become intense. This tightening could intensify further if more beef from Australia and New Zealand is pulled into Asian markets. However, nearly all of this beef is grass fed and does not substitute very well for high quality U. S. and Canadian fed beef. Consequently the market for our cow beef as well as processing beef imports will likely remain fairly strong in the United States. Byproduct values remain well above year-earlier levels, but have declined from recent highs as variety meat exports have also been banned. The major byproduct value derives from the hide, and hides can still be exported. Consequently, although demand for variety meats in the U.S. market is weak to nonexistent, the hide export market remains strong as world economies continue to improve and demand for leather grows.

Record Retail Beef Prices To Recede: Prices for Choice beef at retail remained near record levels in December, averaging \$4.24 a pound, down from the November record of \$4.32 a pound, but up nearly 26 percent from a year earlier. The wholesale-retail spread narrowed as fed cattle prices shot up in late summer-early fall, but widened rapidly in November and December as price increases were passed through to consumers. With cattle and boxed beef prices now down sharply from the October highs and spreads even wider, retail prices in January are expected to decline further as larger quantities of export quality beef reclaim market share. Consumers should find relatively attractive prices over the next few months, particularly until at least some of the export markets are reopened.

WEATHER SUMMARY

Temperatures for the week averaged within a few degrees of normal at most locations. Two winter-type storms affected New Mexico during the week. The storm on Tuesday produced some 6 to 12 inch snowfalls in the mountains with lighter amounts of precipitation and favored the western slopes of the northern mountains. Roy (.51"), Red River (.44"), Moriarty (.41"), and Los Alamos (.35") all measured over one third of an inch of moisture for the week.

NEW MEXICO WEATHER CONDITIONS JANUARY 19 - 25, 2004

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	01/19 01/25	01/01 01/25	Normal Jan	01/01 01/25	Normal Jan-Jan
Carlsbad	46.8	64	28	T	0.21	0.35	0.21	0.35
Tatum	40.7	57	25	0.00	0.29	0.39	0.29	0.39
Roswell	43.2	61	22	T	0.00	0.43	0.00	0.43
Clayton	36.5	63	19	0.04	0.04	0.24	0.04	0.24
Clovis	42.6	62	23	T	0.08	0.39	0.08	0.39
Roy	34.6	54	16	0.51	0.51	0.34	0.51	0.34
Tucumcari	42.1	67	21	T	0.00	0.28	0.00	0.28
Chama	20.4	47	-10	0.14	0.52	1.77	0.56	1.77
Johnson Ranch	29.1	46	11	0.15	0.15	0.67	0.15	0.67
Capulin	29.3	61	7	0.07	0.07	0.40	0.07	0.40
Las Vegas	29.5	52	9	0.06	0.06	0.32	0.06	0.32
Los Alamos	26.2	41	0	0.35	0.40	0.86	0.40	0.86
Raton	29.2	56	7	0.06	0.06	0.47	0.06	0.47
Santa Fe	32.6	49	18	0.17	0.18	0.63	0.18	0.63
Red River	19.6	39	-6	0.44	0.80	1.07	0.80	1.07
Farmington	32.5	45	18	0.11	0.48	0.59	0.48	0.59
Gallup	30.2	45	15	0.21	0.44	0.80	0.44	0.80
Grants	32.4	52	14	0.05	0.15	0.49	0.17	0.49
Silver City	38.3	52	25	0.05	1.02	1.16	1.02	1.16
Quemado	31.8	51	11	0.11	0.13	0.83	0.13	0.83
Albuquerque	38.4	53	25	0.06	0.10	0.44	0.10	0.44
Carrizozo	37.9	57	18	0.00	0.00	0.60	0.00	0.60
Gran Quivera	36.2	55	21	0.02	0.06	0.70	0.06	0.70
Moriarty	29.6	52	7	0.41	0.47	0.43	0.47	0.43
Ruidoso	35.7	56	19	0.16	0.64	1.12	0.64	1.12
Socorro	39.4	56	17	0.04	0.16	0.39	0.16	0.39
Alamogordo	45.8	61	34	0.00	0.08	0.67	0.08	0.67
Animas	44.8	58	32	0.01	0.14	0.68	0.57	0.68
Deming	44.4	58	25	0.01	0.25	0.56	0.25	0.56
T or C	42.7	57	28	T	0.21	0.46	0.21	0.46
Las Cruces	45.2	62	26	0.00	0.09	0.46	0.09	0.46

(T) Trace (-) No Report (*) Correction

All reports based on preliminary data. Precipitation data corrected monthly from official observation forms.