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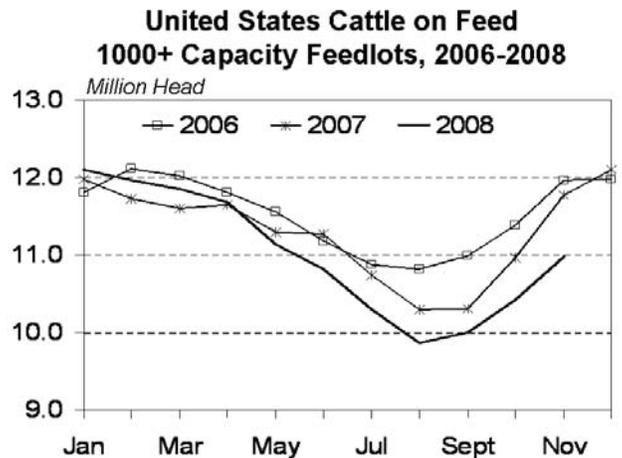
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**CATTLE ON FEED**

**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 11.0 million head on November 1, 2008. The inventory was 7 percent below November 1, 2007 and 8 percent below November 1, 2006.

Placements in feedlots during October totaled 2.44 million, 11 percent below 2007 but slightly above 2006. Net placements were 2.37 million head. During October, placements of cattle and calves weighing less than 600 pounds were 700,000, 600-699 pounds were 615,000, 700-799 pounds were 543,000, and 800 pounds and greater were 580,000.

Marketings of fed cattle during October totaled 1.81 million, 3 percent below 2007 but 3 percent above 2006. Other disappearance totaled 67,000 during October, 43 percent above 2007 but 17 percent below 2006.

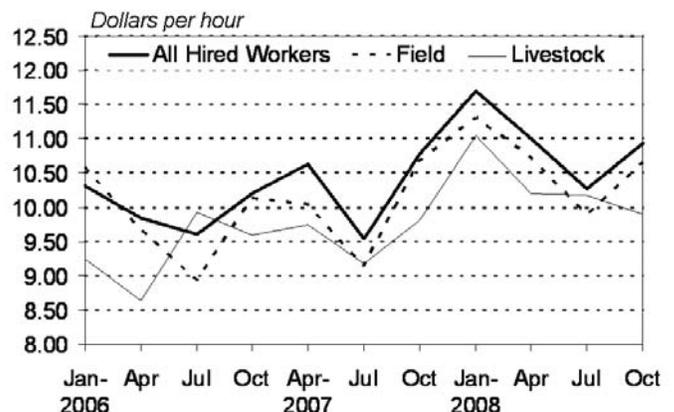


**FARM LABOR**

**United States**  
Farm operators paid their hired workers an average wage of \$10.70 per hour during the October 2008 reference week, up 32 cents from a year earlier. Field workers received an average of \$10.05 per hour, up 43 cents from last October, while livestock workers earned \$10.19 per hour compared with \$10.02 a year earlier. The field and livestock worker combined wage rate, at \$10.08 per hour, was up 35 cents from last year.

**Northern Plains**  
Farm operators paid their hired workers an average wage of \$10.94 per hour during the October 2008 reference week, up 16 cents from a year earlier. Field workers received an average of \$10.66 per hour, down 2 cents from last October, while livestock workers earned \$9.89 per hour compared with \$9.82 a year earlier.

**Wage Rates for Hired Workers Northern Plains, 2006-2008 <sup>1</sup>**



<sup>1</sup>Due to budget constraints, NASS did not conduct the Jan-2007 Agricultural Labor Survey.

## Fluctuating Food Commodity Prices: A Complex Issue With No Easy Answers

Rising food demand, increased energy costs, a weak U.S. dollar, and other factors contributed to the rapid escalation of food commodity prices until July 2008.

Fluctuating oil prices seem to be the issue of the day, but the cost of food commodities—particularly staples such as grains and vegetable oils—is a close second in grabbing global headlines. According to the International Monetary Fund (IMF), world market prices for food commodities rose more than 75 percent from the beginning of 2006 to July 2008.

### Putting Prices Into Perspective

Rising food commodity prices over the last several years have been part of a general increase in global commodity prices, including minerals, metals, and energy. Although the food commodity index rose to a historic high over the past 2 years, the indices for all commodities, and for crude oil in particular, have significantly outpaced it. In fact, between January 2002 and July 2008, the IMF index for food commodities rose 130 percent, compared with 330 percent for all commodities and 590 percent for crude oil.

No single factor is responsible for the rapid escalation of food commodity prices. ERS has identified a set of interrelated factors that include long-term supply and demand trends, as well as more recent phenomena such as higher energy prices, increased biofuel production, depreciation of the U.S. dollar, adverse weather, and policy responses to domestic food price inflation by a number of countries.

### Market Trends Have Contributed to Higher Commodity Prices

Long-term growth in worldwide demand, coupled with a slowdown in agricultural production growth, reduced global stockpiles of basic commodities like corn, soybeans, wheat, and rice. Lower stocks, in turn, made it more likely that new sources of demand, or disruptions to supply, precipitated sharply changing prices.

The rapid increase in food commodity prices did not happen overnight. On the supply side, growth in world food production was sluggish between 1995 and 2003. Stable food prices over the past 20 years and abundant global supplies reduced incentives for maintaining food stockpiles and for funding research and development to increase yields.

At the same time, strong global growth in average incomes and rising population (roughly 75 million people worldwide per year), particularly in developing countries, have increased food and feed demand. As per capita incomes rose, consumers in developing countries not only increased per capita consumption of staple foods, but also diversified their diets to include more meats, dairy products, and vegetable oils. This, in turn, amplified rising demand for grains and oilseeds used as feed.

### From the Farm to the Gas Tank

Use of biofuels—fuels, like ethanol and biodiesel, made from plant material—had been modest for several decades, but production rose rapidly in the U.S. beginning in 2003 and in the European Union (EU) starting in 2005. Output increased in response to concerns about rising petroleum prices, the availability of oil supplies, and the environmental impacts of fossil fuels. The U.S. Energy Policy Act of 2005 mandated that renewable fuels used in gasoline reach 7.5 billion gallons by 2012.

This growth in worldwide biofuels demand has contributed to higher prices for biofuel feedstocks. The U.S., Brazil, and the European Union are the largest manufacturers of biofuels. Biofuel feedstocks like grains, sugarcane, soybeans, and rapeseed now have new uses beyond food and feed.

### Factors Around the World Play a Role

Also underlying the historic peak in food commodity prices in 2008 was the general depreciation of the U.S. dollar after 2001. Although the dollar began to recover in the summer of 2008, its lower value meant that U.S. exports were more competitive vis-à-vis other exporters. It also meant that importers with stronger currencies had more buying power. The increased demand for U.S. food commodities from importers resulted in larger U.S. exports and contributed to higher prices in dollar terms. The dollar's depreciation also contributed to higher dollar prices for crude oil. At the same time, farmer demand for fertilizer, fuels, and pesticides rose sharply, raising agricultural production costs and adding to the high price of food commodities.

Recent high food prices were also due in part to unusually widespread adverse weather during 2006 and 2007. Droughts, floods, high temperatures, and freezes affected agricultural yields in many countries. In 2007 alone, Northern Europe suffered harvest-time floods, while droughts enveloped Southeastern Europe, Ukraine, Russia, Turkey, and Australia. Ultimately, adverse weather caused a second consecutive drop in global average yields for grains and oilseeds, and a further decline in commodity stockpiles.

### What's Ahead: Keeping a Watchful Eye on Prices and Prospects

The future path of food commodity prices will depend on a host of complex factors. Already, crop prices have fallen from their peaks as favorable weather has fostered expectations of large 2008 harvests. Other factors that will influence prices include economic growth, energy prices (which have fallen from summer peaks), the value of the U.S. dollar, and weather in major producing countries. Thus, the movement of food prices cannot be definitively forecast. However, continued economic growth in developing nations would bolster demand and limit replenishment of low world food stocks. Further increases in petroleum prices would raise agricultural production expenses, as well as costs of transporting and processing food commodities.

Source: *Amber Waves*, USDA-ERS, November 2008

## LIVESTOCK SLAUGHTER

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### United States

Commercial red meat production for the United States totaled 4.27 billion pounds in September, up 11 percent from the 3.86 billion pounds produced in September 2007.

Beef production, at 2.27 billion pounds, was 8 percent above the previous year. Cattle slaughter totaled 2.89 million head, up 8 percent from September 2007. The average live weight was up 8 pounds from the previous year, at 1,298 pounds.

Veal production totaled 12.8 million pounds, 37 percent above September a year ago. Calf slaughter totaled 87,500 head, up 56 percent from September 2007. The average live weight was down 33 pounds from last year, at 251 pounds.

Pork production totaled 1.97 billion pounds, up 13 percent from the previous year. Hog kill totaled 9.96 million head, up 14 percent from September 2007. The average live weight was unchanged from the previous year, at 266 pounds.

Lamb and mutton production, at 14.4 million pounds, was up 6 percent from September 2007. Sheep slaughter totaled 221,000 head, 5 percent above last year. The average live weight was 129 pounds, up 1 pound from September a year ago.

January to September 2008 commercial red meat production was 37.7 billion pounds, up 5 percent from 2007. Accumulated beef production was up 3 percent from last year, veal was down 1 percent, pork was up 9 percent from last year, and lamb and mutton production was down 3 percent.

## TURKEY HATCHERY

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### United States

Turkey eggs in incubators on November 1, 2008, in the United States totaled 27.5 million, down 12 percent from November 1, 2007. Eggs in incubators were down 4 percent from the October 1, 2008 total of 28.7 million eggs. Regional changes from the previous year were: East North Central down 8 percent, West North Central down 13 percent, North and South Atlantic down 4 percent, and South Central and West down 35 percent.

Turkey poults hatched during October 2008, in the United States totaled 23.3 million, down 10 percent from October

2007. Poults hatched were down 2 percent from September 2008 total of 23.7 million poults. Regional changes from the previous year were: East North Central down 9 percent, West North Central down 8 percent, North and South Atlantic down 4 percent, and South Central and West down 33 percent.

The 22.2 million net poults placed during October 2008 in the United States were down 12 percent from the number placed during the same month a year earlier. Net placements were down 1 percent from the September 2008 total of 22.5 million.

## MILK PRODUCTION

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### United States

Milk production in the 23 major States during October totaled 14.4 billion pounds, up 1.5 percent from October 2007. September revised production at 14.0 billion pounds, was up 1.8 percent from September 2007. The September revision represented a decrease of 13 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,700 pounds for October, 3 pounds above October 2007. The number of milk cows on farms in the 23 major States was 8.46 million head, 105,000 head more than October 2007, and 1,000 head more than September 2008.



## DAIRY PRODUCT PRICES

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### United States

Cheddar Cheese prices received for US 40 pound Blocks averaged \$1.77 per pound for the week ending November 8. The price per pound decreased 5.2 cents from the previous week. The price for US 500 pound Barrels adjusted to 38 percent moisture averaged \$1.77 per pound, down 9.2 cents from the previous week.

Butter prices received for 25 kilogram and 68 pound boxes meeting USDA Grade AA standards averaged \$1.67 per pound for the week ending November 8. The U.S. price per pound decreased 4.6 cents from the previous week.

Nonfat Dry Milk prices received for bag, tote and tanker sales meeting USDA Extra Grade or USPH Grade A standards averaged \$0.86 per pound for the week ending November 8. The U.S. price per pound decreased 5.3 cents from the previous week.

Dry Whey prices received for bag, tote and tanker sales meeting USDA Extra Grade standards averaged 18.6 cents per pound for the week ending November 8. The U.S. price per pound decreased 0.4 cents from the previous week.

## COLD STORAGE

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### United States

Frozen food stocks in refrigerated warehouses on October 31, 2008 were greater than year earlier levels for turkey, chicken, pork, and cheese. Butter stocks were down 20 percent from last month and down 24 percent from a year ago.

Total red meat supplies in freezers were up 2 percent from the previous month and up slightly from last year. Frozen pork supplies were up 1 percent from the previous month and up 4 percent from last year. Stocks of pork bellies were up 7 percent from last month and up 12 percent from last year.

Total frozen poultry supplies on October 31, 2008 were down 2 percent from the previous month but up 22 percent from a year ago. Total stocks of chicken were up 3 percent from the previous month and up 13 percent from last year. Total pounds of turkey in freezers were down 8 percent from last month but up 37 percent from October 31, 2007



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