CME Live Cattle futures traded higher today in response to Friday’s USDA Cattle on Feed report. Late summer and fall contracts led the way, bolstered by the lower-than-expected March feedlot placement numbers (11.2% lower than in March 2003). Higher fed cattle futures and moderating corn futures (see below) drove CME Feeder Cattle futures to prices very near their pre-December 23 levels. While placements exceeded year-ago levels for most of the fall and winter, the cattle complex certainly appears to be current. A week ago we showed a graph of rapidly rising light choice beef cutout values to indicate the market forces at play in the beef complex. Today consider the slaughter weight situation. The graph at left shows average dressed weight for all cattle to be slightly above year-ago levels. However, Figures 1 and 2 on page 2 show a different situation for steers and heifers. Average dressed steer weights are the lowest they have been since June 2001. Heifer weights are lower than they have been since last June. Given higher cutout values, packers may be more interested in larger slaughter runs over the next few weeks as grilling season begins in earnest. But will there be enough market-ready cattle?

After spending most of March and the first week of April VERY close to the slaughter levels predicted by the March Hogs and Pigs Report, U.S. hog slaughter runs have increased dramatically the past two weeks (see Figure 3). FI slaughter runs have exceeded year-ago levels by 3.7% and 5.3% the past two weeks and have exceeded levels predicted by the March report by 2.4% and 3.7%. Cash hog prices, though, held their own last week as the cutout value held firm with the help of higher beef cutouts and still-strong chicken prices. Some analysts have speculated that high feed prices will cause some hogs to come to market early but carcass weights (which, at 201 lbs., were equal last week to year-earlier levels) do not support this idea yet. Two factors work against feed-induced lower hog weights. First and foremost, the cost of the feed required for the last pound of gain is still less than the value of that pound of gain. That MC=MR thing form Econ 101 really works! Second, cash Omaha corn and Decatur soybean meal both declined about 4% last week and futures markets for both corn and soybean meal took a breather from their steady uptrends. While we are still concerned about feed costs (especially soybean meal), USDA reported on Monday that corn planting is well ahead of schedule with 20% complete compared to 10% last year and 9% historically.
Figure 1

STEER DRESSED WEIGHT
Federally Inspected, Weekly

Figure 2

HEIFER DRESSED WEIGHT
Federally Inspected, Weekly

Figure 3

FI SLAUGHTER, WEEKLY
Based on USDA Hogs & Pigs Report, March '03