

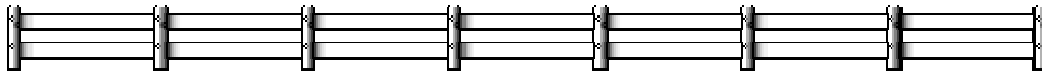


LIVESTOCK NEWSLETTER

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July 2009



WSU Budget Reductions

In the spring of the year Washington State University had some budget reductions. Yakima County Extension survived the reductions, but will not have the same budget for mail in the future. This is the last Livestock Newsletter that can be mailed out until alternative funding is acquired. The Livestock Newsletter will continue to be published only on the WSU Yakima County Extension Web page—<http://www.yakimacounty.us/wsuent/agriculture/livestock/index.html>—unless alternative funding is found.

Ethanol Raises Cost of Federal Food Assistance Programs: Report

A report by the nonpartisan Congressional Budget Office found that food prices raised by increasing ethanol production will boost federal expenditures on food assistance programs.

In the report, published Thursday, CBO estimated that the increased use of ethanol would cost Washington as much as an additional \$900 million to pay for food stamps and child nutrition programs in 2009.

CBO predicted increased spending for food programs overall resulting from higher food

prices will total some \$5.3 billion in the current budget year. Ramped-up use of corn-based ethanol accounted for 10 percent to 15 percent of the increase in food prices between April 2007 and 2008, the report states.

According to CBO, ethanol production rose 34 percent from 2006 to 2007 and another 42 percent from 2007 to 2008, though much of the increase was spurred by other factors such as spiking gasoline prices.

Almost one quarter of the nation's corn now goes to ethanol production. Overall consumption exceeded 9 billion gallons last year, a record high. Some 3 billion bushels of corn were used in U.S. ethanol production in 2008, an increase of nearly 1 billion bushels over 2007.

CBO conducted the study at the request of U.S. Reps. Ron Kind (D-Wisc.), Rosa DeLauro (D-Conn.) and James McGovern (D-Mass.). The study examined the relationship between increasing ethanol production and rising food prices. In particular, it analyzed how much of the rise in food prices between April 2007 and April 2008 was due to increased ethanol production and how much that increase in prices might raise federal expenditures on food assistance programs.

Peak Supplies Ahead

Fed cattle supplies will be at their seasonal peak over the next 45 days. Declining numbers are expected by Labor Day, with substantially tighter supplies expected into the fall coinciding with the tighter May-June placements. Continued F.I. slaughter levels near 670,000 on a weekly basis are projected through July, which will test demand. The beef to pork ratio continues to be very wide and concerns about the economy and beef usage, especially at food service, will limit the price potential in the beef complex through the summer. Longer term cattle on feed numbers are expected to continue to run below year-ago levels through the rest of 2009 which will be price supportive.

July-August: Seasonally increasing fed supplies are expected through mid-summer, although declining supplies are projected by Labor Day. Ample beef production levels will be noted, testing demand. Look for a softer trending market, with risk back into the upper \$70's.

September-December: Lighter placements starting in May will result in substantially smaller fed supplies compared to year-ago levels through the latter part of 2009. Moving forward, improved economic news should result in improving beef usage and demand. Fed cattle prices are expected to trend higher into the fall with a high of \$90 or better depending on demand.

Source: *Kevin Good, CattleFax*

Choice/Select Spread Upside Down, But Will it Last?

It finally happened. The average Choice-Select spread for carcass beef dipped below zero for the week ended April 4.

The spread for the week averaged negative 13 cents. That's the first time a weekly average has gone negative since 1989, according to the CME Group's Daily Livestock Report, even though the spread has dipped below zero on a few isolated days over the past year.

By comparison, the average Choice-Select spread for the first week in April in 2007 was \$9.14 per hundredweight for boxed beef. Last year it was only 88 cents, according to statistics compiled by the Livestock Marketing Information Center.

Other than being a somber statistic, this isn't like a futures market breaking through a point of resistance—the spread will likely restore itself to positive territory in a matter of days, according to Oklahoma State University Extension Livestock Marketing Specialist Derrell Peel.

"It will get fixed pretty quickly as people jump on the opportunity to buy Choice cheaper, which should bring it back to par in a few days or a week or two," He told *Meatingplace*.

The milestone is a grim reminder, however of the thinning spread trend over the past year as heavier cattle, improved genetics and better grading techniques have increased the percentage of cattle grading Choice at the same time the recession has driven consumers out of restaurants and from Choice steaks to Select hamburgers at the supermarket.

At least on the supply side, that scenario is not likely to change, Jim Robb, Director of the Livestock Marketing Information Center told *Meatingplace*. That means thinner Choice-Select spreads could be here to stay.

"The fundamentals of this relationship have changed, we think permanently," Robb said.

Beef Industry Faces 'Wave of Liquidation'

It would be hard to top the bottoming out that the pork industry experienced in the last week, but the beef industry is not faring a whole lot better as it also suffers from dull demand and weak prices.

While pork producers are organizing an effort to perform a large-scale herd reduction in order to better balance supply and demand, the beef industry faces the possibility of also reducing the cattle herd in the next year.

“Unless we can get substantial growth in beef demand, either export or domestic, we believe the beef cow herd will need to be reduced rather than built in the next year,” Glenn Grimes and Ron Plain, agricultural economists at the University of Missouri, wrote in a recent report.

Beef prices, similar to pork prices, have not adhered to traditional economics. Though there have been significant reductions in U.S. meat supplies over the last year, red meat prices still are generally lower than year-ago levels, note livestock analysts Steve Meyer and Len Steiner.

Double Downer—As of June 5, Meyer and Steiner said, beef production for the week was down 2.5 percent, but fed steer prices still were nearly 13 percent below year-ago levels.

Wholesale beef prices as of late last week, according to the Missouri economists, showed Choice beef at \$138.53 per hundredweight, down \$6.16 per hundredweight from a week earlier. Select beef was \$5.56 lower than a week earlier.

Significantly lower wholesale prices for beef have limited the packer’s ability to pay for cattle, Meyer and Steiner said.

Meanwhile, the value of hides and offal has declined largely due to a decline in export

demand; weak cattle prices are impacting cow-calf producers; feeder cattle prices have declined amid rising feed costs and weak out-front fed cattle pricing; and beef cow slaughter is running lower than year-ago levels.

That, the analysts said, “may not last for too long. If cow-calf producers continue to lose money, we could see another wave of liquidation this fall.”

Source: *Meatingplace*, 6/12/09

Ban on Electrical Stunning

(The views and opinions expressed in this blog are strictly those of the author.)

Are you ready to give up electrical stunning? You could have no choice. In the EU, it is expected that unless something unexpected happens, electrical stunning will be banned. The final decision could be made as early as June. Just how this will be implemented is yet to be determined. I imagine there will be some sort of phasing in if the ban occurs, much like the use of furnished cages for layers. Without an alternative, suddenly switching all of the processors would pose a challenge to everyone involved.

Based on history, changes in Europe usually move to California and subsequently to the remaining states.

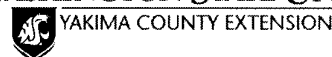
Source: *Meatingplace*



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Washington State University Extension helps people develop leadership skills and use research-based knowledge to improve their economic status and quality of life.

A handwritten signature in black ink, which appears to read 'W. Frank Hendrix'.

W. Frank Hendrix
County Extension Agent

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