

Market Advisor

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Limiting antimicrobials could decrease efficiency, increase costs

USDA's December supply-and-demand estimates lowered the midpoint of their farm price forecast for the 2013 corn crop by a dime to \$4.40 per bushel (bu.). It raised its price forecast of soybean meal during the 2013-2014 marketing year to \$420 per ton. USDA raised its forecast of beef production by 0.3% for 2013 and by 0.5% for 2014. They are now predicting 5.7% less beef, but 3.0% more pork and chicken, and 1.4% more turkey in 2014 than this year.

The Food and Drug Administration (FDA) announced this week that it is "implementing a plan to help phase out the use of medically important antimicrobials in food animals for food-production purposes, such as to enhance growth or improve feed efficiency" (see "The Clock is Ticking" on page 66).

The FDA's Dec. 11

news release said, "Once a manufacturer voluntarily makes these changes, its medically important antimicrobial drugs can no longer be used for production purposes, and their use to treat, control or prevent diseases in animals will require veterinary oversight."

This new policy on antibiotic use will likely decrease overall industry feed conversion and thus increase feed demand. It should also

drive up per-head veterinary costs, especially for smaller operations. FDA envisions a three-year transition process for this new policy.

Fed-cattle prices averaged more than \$130 per hundredweight (cwt.) for the eighth consecutive week. Through Thursday, Dec. 12, the five-area average price for slaughter steers sold on a live-weight basis was \$130.16 per cwt., down \$1.73 from the week before, but up \$6.94 from the same week last year. Sales volume was very low and there was no USDA quote for slaughter-steer prices on a dressed basis.

Friday morning, Dec. 13, the boxed-beef cutout value for USDA Choice carcasses was \$197.95 per cwt., down \$4.07 from the previous Friday, but up \$3.68 from a year ago. The USDA Select carcass cutout was \$187.13 per cwt., down 55¢ for the week, but up \$11.94 from the same day last year.

Cattle slaughter the week of Dec. 9-13 totaled 608,000 head, down 3.3% from the week prior and down 5.1% from the corresponding week last year.

The average steer dressed weight for the week ending on Nov. 30 was 875

pounds (lb.), down 4 lb. from the week before and down 1 lb. from a year earlier.

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Because of a winter storm, Oklahoma City did not have a feeder-cattle auction the second week of December.

Fed-cattle futures were little changed during the week. The December live-cattle futures contract closed at \$131.87 per cwt. Dec. 13 compared to \$131.42 a week ago. February fed cattle settled at \$132.85 per cwt., and the April contract settled at \$133.80 per cwt.

The January feeder-cattle futures contract ended the week at \$167.07 per cwt., up from \$164.47 a week earlier. March feeders closed at \$166.55 per cwt.

