

In The Cattle Markets*

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One of the frustrations of production agriculture is that producers are generally price takers in the market place. This means that a producer has little or no control over the general price level. Furthermore, the forces that change the market level of a given commodity are frequently from another sector of agriculture or even non-agriculture and often these events that change price are unpredictable.

The price of corn on the Chicago Board Trade, December contract closed at \$2.92 per bushel on September 11, 2002. Since that time the price of corn has generally declined and the December board closed at \$2.58 on October 4. That is a decline of \$0.34 per bushel, a 12 percent decline. In general, as the price of corn decreases, the price or value of calves and feeder cattle increases. Over this same general time period, the expected price for market hogs this fall and winter has been increasing. On August 28, 2002, the Chicago Mercantile Exchange Lean Hog contract closed at \$33.37 per cwt. That contract has generally strengthened since that time and closed at \$39.60 per cwt. on October 4. That is an increase in value of 19 percent. Higher hog prices are generally supportive of higher fed cattle prices. These are two positives for cattle producers that are the result of changes in other agriculture industries.

Until a couple of weeks ago, most cattle producers probably had little knowledge of West Coast Longshoreman. However, the current labor dispute that has shut down 29 West Coast ports is costing the cattle industry millions of dollars and is threatening to destroy our market share in many key export markets. Short-term impacts will mean more beef, pork and poultry will be sold domestically if it can't be exported. This will negatively impact the price of beef and hence the price of fed cattle, feeder cattle and calves. Long-term potential impacts are even more serious. If we cannot deliver product to clients overseas, they will look to other suppliers. Canada, Brazil and Australia will be aggressive in trying to deliver product to replace U.S. product. Once our customers lose confidence in our ability to consistently deliver product, we will lose market share that is difficult to regain in the highly competitive meat markets. Lost market shares results in lost dollars to the U.S. beef industry; lost dollars for cattle producers.

The Markets

Slaughter cattle prices were lower this past week, with the bulk of the trade occurring in the southern plains at \$64 to \$65 and trade occurring in the north at mostly \$100 dressed. Nebraska slaughter steers (35-65% Choice) averaged \$99.56, dressed weight, compared to \$102.47 the previous week. USDA's weekly weighted average price for Kansas slaughter steers (35-65% Choice) was \$64.17 compared to \$65.90 the previous week. USDA's estimate of the light Choice boxed beef cutout was \$113.44, down \$2.31 from the previous week. The light Choice-Select spread averaged \$9.87, compared to \$9.17 the prior week. Average feeder cattle prices across Nebraska auctions last week were generally lower, with 700-800 pound steers averaging \$82.76 and 500-600 pound steers averaging \$89.69. Prices across four Kansas auctions averaged 81.69 and 85.36 for 700-800 and 500-600 pound steers, respectively.

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