

**Darrell R. Mark, Ph.D.****Asst. Professor, Department of Agricultural Economics, University of Nebraska****Corn Market Rallies – But So Does Feeder Cattle**

Last Wednesday, National Agricultural Statistics Service released its annual spring plantings intention report. According to the report, the nation's corn producers plan to plant 79.004 million acres, lower than the 80.274 million acre pre-release estimate. This compares to 78.7 million acres planted last year. Given the higher corn prices thus far in 2004, many expected to see a larger increase in 2004 corn acres. The bigger increase in acres, however, came for soybeans, with producers reporting intentions to plant 75.4 million acres, 2 million more acres than last year. Acreage of other feedstuffs (sorghum, barley, and oats) is all projected to be lower this year. However, producers plan to harvest about 1% more hay acres in 2004. The nearly constant corn acreage for this year points to a continued tight stocks-to-use ratio for the next year and relatively strong prices. A 17-cent and 27-cent rally in old-crop May and new-crop December corn futures, respectively, in the three trading sessions following the crop intentions report confirmed ideas of higher corn prices.

Corn prices have surged about \$0.75/bu higher since the beginning of the year. The traditional negative correlation between feeder cattle prices and corn prices has not held, however. Nebraska 600-700 lb. feeder steer prices, for example, have increased more than \$6/cwt since January. Continued tight supplies of feeder cattle and strong demand have been causing this feeder cattle price increase. Cattle feeders have been encouraged by current slaughter cattle prices and appear to expect more U.S. export markets to reopen within the next several months. A note of caution, however, is in order. Even with continued strong domestic beef demand and reopening of export markets supporting relatively high fed cattle prices, significantly higher corn prices can offset such price gains.

Consider, for example, placing a 750 lb. steer on feed in the middle of April that cost \$95/cwt. Assume the steer will gain 3.4 lbs/day and that feed efficiency is 7.88 lbs feed/lb gain (as-fed). A typical ration would cost \$135.57/ton based on \$3.10/bu corn, \$75/ton hay, and \$300/ton supplement costs. Based on a standard commercial cattle feeding budget, the total cost of gain would be \$62.75/cwt and the breakeven for the finished 1,200 lb. steer at the end of August would be \$82.91/cwt. With August futures at \$75.35/cwt and an expected -\$1.00/cwt basis in Nebraska in August, a loss of \$8.56/cwt, or over \$100/head, is projected. If the budget is figured with \$3.35/bu corn (\$0.25/bu higher), the total cost of gain would be \$65.23/cwt and the breakeven would be \$83.84/cwt. So, the \$0.25/bu corn price increase would result in a \$1/cwt increase in the breakeven selling price.

**The Markets**

Last week live slaughter cattle prices in Kansas were \$1 higher and Nebraska dressed prices were steady at \$132-133. Choice boxed beef prices were \$1.65 lower last week, but about \$10 higher than last year. The Choice-Select spread, at \$13.12, continued its seasonal trend by widening another \$1.56 last week. Prices for 700-800 lb. steers were steady to \$2 higher in Kansas and Nebraska last week. Steer calf prices (500-600 lb.) were steady to \$2 lower.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight (35-65% Choice)	\$83.73	\$82.66	\$79.02
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$132.75	\$132.59	\$128.84
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$94.13	\$93.75	\$81.96
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$115.46	\$117.47	\$98.33
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$96.26	\$94.69	\$82.89
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$119.71	\$120.27	\$102.15
Choice Boxed Beef Price, 600-750 lb. carcass	\$139.07	\$140.72	\$128.22
Choice-Select Spread, 600-750 lb. carcass	\$13.12	\$11.56	\$7.67