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Fall Cattle Prices and Expectations

Superior Video Auction sold 77,000 head of calves and yearlings this last week with deliveries scheduled from now through the rest of the year. I was interested in sales for deliveries this fall from the northern plains and southern plains regions. Prices for feeder steers, medium and large #1 ranged from \$122.50/cwt. for 550-pound steers down to \$105/cwt. for 850-pound steers. Six-weight and seven-weight steers averaged \$115 and \$110 per cwt., respectively. With December corn on the Chicago Board of Trade priced over \$3 per bushel, I assume total feeding cost will be at least \$60 per cwt. of gain for most cattle. Based on these sale prices and a \$60 per cwt. cost of gain, the break-even values on these steers would be \$90 per cwt. These calves and yearlings, that will be delivered after September will likely finish in the January – May 2005 time frame. The Chicago Mercantile Exchange, Live Cattle contract is presently just under \$87 for February and is less than \$85 per cwt for April.

Are feedlots expecting the same positive basis next year that they enjoyed for the 1st four months of this year (Nebraska averaged plus \$3.00 per cwt)? Are the market participants expecting the fed cattle market to rally \$5.00 per cwt or the corn market to drop \$.50 per bushel? Or, are feedlots with large fixed costs and some loyalty to a well trained labor force just trying to secure enough cattle to adequately fill pen space? The answer is probably some combination of all of the above, but I suspect the next few years could be very challenging for the feedlot industry as they battle over a relative short supply of calves and yearlings.

The Markets

Slaughter cattle prices ended the week \$1-2 lower in both the southern plains and the northern markets. Trade occurred at mostly \$85 in the south and prices were \$134-136 in the north. Choice boxed beef prices were lower this week. The Choice -Select spread decreased but remains historically wide. Feeder cattle prices were generally higher in Kansas and in Nebraska on most weight of feeders. Calf and yearling volume is relatively light.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$84.87	\$85.96	\$80.00
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$135.45	\$137.77	\$127.57
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$109.66	\$107.51	\$87.67
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$120.02	\$117.94	\$99.80
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$115.50	\$116.03	\$91.92
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$128.15	\$120.95	\$106.80
Choice Boxed Beef Price, 600-750 lb. carcass	\$149.49	\$154.13	\$147.78
Choice-Select Spread, 600-750 lb. carcass	\$16.53	\$18.30	\$17.64