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Calf and Yearling Prices

At the beginning of June, I wrote a short summary of calf and yearling prices from a video sale for fall delivery. Those prices seemed relatively high compared to fed cattle price expectations on the board. Current calf and yearling prices seem even more optimistic, particularly in the north. I realize that there is not a large volume of calves or yearlings trading at this time, but if I owned any of them, I believe I would be selling them.

Consider steer calf sales in Nebraska last week: 550 @ \$140, 750 @ \$124 and 900 pound steers @ \$115. Break-even values for these cattle at slaughter would be \$93 in February, \$95 in January and \$96 in November. At this writing, Feb Live Cattle are at \$89 and Dec Live Cattle are at \$88. Historically, the fed cattle basis has been \$1-3 under the board during these time periods. The bottom line is based on the board, you would be looking at a loss of \$75-100 per head to feed these cattle out.

I repeat the paragraph I wrote at the beginning of June. 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 \$2-3 higher in the southern plains and the northern markets. Trade occurred at \$90 in the south and at \$140 in the north. Choice boxed beef prices were lower this week. The Choice -Select spread decreased and is historically narrow. Feeder cattle prices were generally higher in Kansas and much higher in Nebraska on most weight of feeders. Calf and yearling volume remains light.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$89.88	\$86.99	\$73.92
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$139.92	\$137.45	\$117.08
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$117.26	\$116.51	\$88.19
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$124.07	NS	NS
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$123.75	\$114.42	\$92.36
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$140.48	\$130.95	\$109.79
Choice Boxed Beef Price, 600-750 lb. carcass	\$144.86	\$147.92	\$132.84
Choice-Select Spread, 600-750 lb. carcass	\$6.06	\$8.37	\$9.76