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**4<sup>th</sup> Quarter Fed Cattle Break-evens**

As we enter the 4<sup>th</sup> quarter, fed cattle break-evens are expected to increase quite substantially over the next three months. I track weekly placements of 550 and 750 pound steers using the average Nebraska auction price to arrive at the initial value. I assume the lighter cattle are fed 231 day and the heavier cattle are fed 161 days. I then average the break-evens on these two different weight steers. Based on these assumptions, we will start the 4<sup>th</sup> quarter with fed cattle break-evens in the low \$80 per cwt. range. By December, those break-evens will increase to the low \$90 per cwt. range.

Break-evens for fed cattle that were placed as heavier yearlings, 8-weight and 9-weight cattle, are already in the upper \$80 per cwt. range and will move into the upper \$90 range in December, with some of the higher price placed animals having break-evens over \$100 per cwt.

This will present a difficult marketing challenge for feedlots. The current Live Cattle Board would suggest that cattle prices will be increasing through the 4<sup>th</sup> quarter and into the 1<sup>st</sup> quarter of 2005. But, will these prices increase enough to cover break-evens? Feedlot managers will also be tempted to hold cattle a little longer, in anticipation of that price increase. However, delaying marketings will add weight to the cattle and could erode feedlot bargaining power and some of the expected price increase may not be realized. This could be the least profitable quarter for fed cattle marketing since the 4<sup>th</sup> quarter of 2002.

**The Markets**

Slaughter cattle prices ended the week about \$1 lower in the southern plains and in the northern markets. Trade occurred at \$82-84.50 in the south and prices were \$130-133 in the north. Choice boxed beef prices were higher for the week. Choice prices were up just over \$3. The Choice-Select spread decreased and is much narrower than is typical for this time of year. Feeder cattle prices were steady to higher in Kansas and steady to lower in Nebraska on most weight of feeders. Calf volume remains relatively light but there are increased yearling sales.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight (35-65% Choice)	\$84.08	\$84.80	\$88.95
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$131.71	\$132.67	\$144.47
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$118.08	\$117.65	\$104.78
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$128.51	\$127.32	\$109.47
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$119.68	\$120.77	\$104.39
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$128.58	\$129.72	\$113.15
Choice Boxed Beef Price, 600-750 lb. carcass	\$137.11	\$133.96	\$161.41
Choice-Select Spread, 600-750 lb. carcass	\$4.22	\$4.32	\$32.57