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Fed Cattle Breakevens Headed Lower, But Not Fast Enough

Heavy weight feeder steers placed on feed at last week’s average Kansas price (\$105/cwt.) are expected to be ready for sale in late May with a breakeven of about \$85/cwt. (live weight). That’s a considerably lower breakeven than cattle marketed in December. Most of the fed cattle marketed during December still have breakevens in the low \$90’s/cwt. Breakevens are expected to remain in the low \$90’s for most cattle marketed during 2005’s first quarter. At current prices, many fed cattle marketed during December will likely lose between \$50 and \$80 per head. Prices for 700-800 pound feeder steers in Kansas have declined about \$10/cwt. since mid-October. Feedyard losses, and prospects of larger feeder cattle supplies during 2005 after the border with Canada reopens, are likely to continue putting pressure on feeder cattle prices.

In The Markets

Weighted average slaughter steer prices in Kansas last week (week ending 12.10.04) declined approximately \$5/cwt. (live weight), compared to the prior week, and Nebraska prices were down over \$6.00/cwt. (dressed weight). Cattle trade this week (week ending 12.17.04) was very light through Wednesday. Limited trade this week (through Wednesday) took place at prices averaging about \$1/cwt. (live weight) below last week’s average. Although weekly average heavy Choice cutout prices only fell about \$1/cwt. last week, daily prices declined from \$148.47/cwt. two weeks ago to \$141.17 last Friday. Furthermore, wholesale prices continued to weaken this week, as the heavy Choice cutout dropped to \$135.52/cwt. on 12.16.04. This week’s heavy Choice cutout is likely to average near \$137/cwt. Feeder cattle prices last week were lower as feedyard losses and prospects for reopening the border with Canada continue to influence buyers’ decision making.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$84.76	\$89.90	\$96.55
Nebraska Fed Steer Price, dressed weight	\$134.21	\$140.68	\$155.73
700-800 lb. Feeder Steer Price, Kansas 3 market average	\$105.31	\$106.45	\$101.93
500-600 lb. Feeder Steer Price, Kansas 3 market average	\$120.57	\$120.95	\$110.21
700-800 lb. Feeder Steer Price, Nebraska 7 market average	\$109.26	\$110.87	\$104.06
500-600 lb. Feeder Steer Price, Nebraska 7 market average	\$123.70	\$127.25	\$115.01
Choice Boxed Beef Price, 750-900 lb. carcass	\$144.56	\$145.56	\$155.16
Choice-Select Spread, 750-900 lb. carcass	\$6.84	\$5.80	\$14.00