

## In The Cattle Markets

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### Corn Yields Projected Higher

Last week, USDA-NASS issued its first survey-based estimate of the national corn crop. Corn yield is now projected at 152.2 bu/acre, up 2.2 bu/acre from last month's estimate. Based on an estimated 72.1 million harvested acres, corn production will be 10.976 billion bushels, down 1.2% from last year but still the third largest corn crop on record. Even with an 80 million bushel increase in projected use, ending stocks increased 155 million bushels to 1.232 billion bushels. As a result, the stocks-to-use ratio increased to 10.4%, and the national average price projected for the 2006-07 marketing year declined \$0.10/bu to \$2.35/bu.

USDA-NASS also projected a 1.5% increase in total feed grain production, stemming from a yield increase of 0.06 metric tons per acre. With only a 600 thousand metric ton increase in total feed grain use, ending stocks increased 3.8 million metric tons.

The corn and feed grain production increases should generally be supportive to feeder cattle prices and feeding margins. Interestingly though, feeder cattle futures prices were mixed last Friday and down as much as \$1.30/cwt on Monday. One reason for this may be that many in the trade believe the corn yield estimates will be revised downward. Given that the yield estimates in the WASDE report were made for August 1 and crop condition scores have generally declined throughout the month, yields may be lowered. Another possibility is that projected cattle feeding budgets, at current feeder cattle and corn prices, already project fairly sizeable losses and a small corn price decrease does not provide much insulation from these losses. For example, a 750 lb. steer placed on feed in mid-August and finished in 125 days has a breakeven selling price of about \$95/cwt. Based on December live cattle futures prices and Nebraska historical average basis, a fed cattle sales price of about \$89/cwt could be hedged, for a loss of about \$6/cwt.

### The Markets

Fed cattle sales were active last week on Wednesday, with live weight prices in Kansas averaging more than \$5/cwt higher than the previous week. Nebraska dressed sales were mostly \$7/cwt higher, with prices averaging \$135/cwt for the week. The strength in the fed cattle market was partially attributable to higher boxed beef prices. For the week, Choice boxed beef prices were more than \$6/cwt higher, for a weekly average of \$146.70. The Choice-Select spread narrowed nearly \$3/cwt last week. Yearling feeder steer prices were about \$2/cwt higher in Kansas and Nebraska last week, while steer calf prices were steady to lower.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight	\$85.69	\$80.40	\$79.66
Neb. Fed Steer Price, dressed weight	\$135.00	\$128.32	\$126.99
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$118.96	\$116.73	\$115.96
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$130.28	\$130.79	\$126.95
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$120.57	\$118.78	\$117.94
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$131.94	\$134.60	\$139.70
Choice Boxed Beef Price, 600-900 lb. carcass	\$146.70	\$140.62	\$133.73
Choice-Select Spread, 600-900 lb. carcass	\$11.92	\$14.86	\$6.81