

## In The Cattle Markets

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### Ethanol and the Cattle Industry

The ethanol industry is in the middle of a major expansion. Government regulated clean fuel regulations and \$75 per barrel crude oil prices has created a major incentive for the ethanol industry to expand. What impact will this have on corn prices? A look at the Chicago Board of Trade Dec. Corn futures provides some insight: Dec 2006, 2007, 2008 & 2009 prices were \$2.43, \$2.88, \$3.09 & \$3.18 per bushel, respectively on September 11, 2006. From 1960-1972 the farm price for corn averaged \$1.13 per bushel and the fed cattle price to corn price ratio averaged 24. Increased exports of corn increased the average price of corn to \$2.46 per bushel from 1973-1996 and the fed cattle/corn price ratio averaged 26 over that time period. However, the last 10 years have seen corn exports flatten out and corn production increase. Farm gate corn prices have averaged only \$2.14 per bushel from 1997-2006. Fed cattle prices have moved to record high price levels over that time period and the fed cattle price/corn price ratio grew to an average of 35. Relatively cheap corn has been a factor in the increase in fed cattle slaughter weights and has influenced the proportion of calf-fed versus yearling-fed cattle. How will sustained higher corn prices impact the cattle industry? Will some of these feeding trends that I just mentioned be reversed? Will cattle feeding locations shift in proximity towards ethanol plants (Iowa, Eastern Nebraska)? I don't have all (maybe none) of the answers, but I think we all need to ponder the questions.

### The Markets

Slaughter cattle prices were steady to a dollar lower in the south with moderate trade this week developing on Friday and prices were steady in the north this last week with light trade on Friday. Prices were \$91.00-91.50 per cwt. in the south and were mostly \$142 per cwt. in the north. Choice boxed beef prices were higher this week. The weekly average price increased \$2.50 per cwt. compared to the prior week. The Choice-Select spread continued to decrease and remains near the historical level. Feeder cattle prices were higher in Kansas and steady to higher this week in Nebraska. Calf prices were lower in Kansas and Nebraska on a fairly small volume.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight	\$91.20	\$92.14	\$83.64
Neb. Fed Steer Price, dressed weight	\$141.71	\$141.23	\$129.31
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$124.39	\$119.31	\$117.70
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$131.44	\$135.03	\$135.40
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$123.75	\$122.48	\$123.42
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$135.34	\$136.37	\$129.43
Choice Boxed Beef Price, 600-900 lb. carcass	\$148.07	\$145.57	\$134.89
Choice-Select Spread, 600-900 lb. carcass	\$9.69	\$9.87	\$11.45