

## In The Cattle Markets

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### Dried Distillers Grain and Corn Prices

Over the last several weeks, I have written a couple of these newsletters on the price of corn. The expanding ethanol industry, with its increased demand for corn, is certainly a factor in the higher corn prices. However, one benefit to the cattle industry of increased ethanol production is an increase in the availability of dried distillers grain (DDG). Researchers have found DDG to be an excellent cattle feed. I was interested in the price of DDG relative to the price of corn. Iowa and Minnesota produce more Ethanol and DDG than do Kansas and

Nebraska, but more cattle are fed in Kansas and Nebraska. Looking at the table, it appears basic laws of economics are working: where there is greater supply and less demand price is lower, and vice a versa. It also appears that in general DDG prices increase with higher

Date	MN	NE/KS	CBT Corn
2003	\$91	\$105	\$2.34
2004	\$101	\$112	\$2.53
2005	\$72	\$87	\$2.09
2006	\$77	\$96	\$2.44
Last 6 wks	\$82	\$100	\$3.15

corn prices, but this relationship has varied over time. Prices for DDG has increased in the last several weeks with higher corn prices, but DDG prices in the last 6 weeks are still below prices for DDG in 2003 and 2004 when corn prices were much lower than present prices. Since the DDG market has changed considerably in the last few years, I looked at weekly prices for the last two years for DDG and CBT corn futures. Minnesota has the most complete price series so I regressed those prices with corn futures. The result was that the price of DDG (\$/ton) =  $\$52.20 + 9.9 \times \text{CBT Corn}$ . This equation only accounts for 1/3 of the weekly price variation. Corn prices varies on a daily and weekly basis, while it appears that DDG prices are more sticky; they often do not change for 3-4 weeks at a time. Using that equation, the predicted price for Minnesota DDG is \$83.39/ton for the last 6 weeks. While DDG may still be a bargain relative to where it was prices a couple of years ago, it appears that DDG prices are tied to corn prices and that higher corn prices will lead to higher DDG prices

### The Markets

Slaughter cattle prices were \$3 lower in the south with light to moderate trade developing mid week and prices were \$4 lower in the north with moderate trade on Tuesday Wednesday and Thursday this last week. Prices were mostly \$86 in the south and were mostly \$134 in the north. Choice boxed beef prices were down a little over \$2.50 this week, while Select prices were down \$3 for the week. The Choice-Select spread continues to increase this week and is wider than the historical level. Feeder cattle prices were sharply lower in Kansas and Nebraska this week. Calf prices were also lower in Kansas and Nebraska. Corn prices continue to increase and that combined with weakening fed cattle prices pressured feeder cattle prices lower.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight	\$86.04	\$88.76	\$91.94
Neb. Fed Steer Price, dressed weight	\$134.17	\$137.83	\$143.00
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$99.29	\$106.03	\$117.03
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$113.02	\$122.61	\$133.14
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$102.78	\$108.01	\$124.24
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$111.46	\$119.07	\$137.68
Choice Boxed Beef Price, 600-900 lb. carcass	\$144.90	\$147.52	\$145.52
Choice-Select Spread, 600-900 lb. carcass	\$12.67	\$12.09	\$12.21
Corn Price, Omaha Nebraska, \$/bu	\$3.22	\$3.18	\$1.60