

In The Cattle Markets

Darrell R. Mark, Ph.D.

Asst. Professor, Department of Agricultural Economics, University of Nebraska-Lincoln

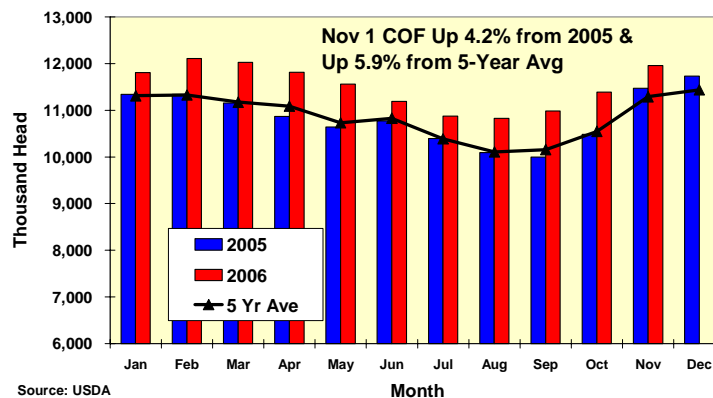
Third Consecutive Month of Record Cattle on Feed

For the third month in a row, USDA-NASS reported a record large inventory of cattle on feed for those respective months. USDA confirmed pre-release estimates for about a 4-5% increase in November 1 cattle on feed numbers. At 11.959 million head, the on feed inventory was 4.2% higher on Nov 1 compared to last year and 5.9% higher than the 5-year average. The on feed inventory grew partially as a result of somewhat lower marketings than anticipated. Marketings were reported at 1.77 million head, only 1.5% higher compared to last year. The average trade expectation prior to the report was for a 4.3% increase. Marketings were even somewhat more disappointing, however, when factoring in one more slaughter day in October 2006 relative to October 2005. Accounting for this, average daily fed cattle marketings were down 3.1% last month. November marketings may improve, however, as slaughter in recent weeks has increased over year-ago levels.

October net placements, at 2.344 million head, were down 14.4% from last year and were the second lowest placements for October in history. Notably, it was about 6 percentage points lower than the average pre-release estimate. Each weight category showed decreases in placements last month, with the 600-699 lb. and 700-799 lb. categories having the largest declines (18.4% and 19.2%). The lightest weight placements (< 600 lbs.) that have seen the largest increases in recent months had the smallest decrease last month (down 4.5%).

The slower than expected marketing pace last month led to an increase in the number of cattle on feed for more than 120 days to 3.305 million head, up nearly 15% from last year. With additional front-end supply of cattle, expect some pressure on fed cattle prices in upcoming weeks. Likely, fed cattle prices during December and January will be affected by the aggressive placements of light weight feeder cattle earlier this year. Still, fed cattle prices are expected to be in the mid- to upper-\$80s for the next several months. Beyond that, lower placements in October are favorable to the deferred fed cattle market, and should help support prices in the mid-\$80s until next summer.

Cattle on Feed, All States, 1000+ Head Feedyards



The Markets

For the second week in a row, fed cattle trade occurred earlier in the week than Friday. Cash cattle trade in Nebraska began on Wednesday, at steady to lower levels. On a dressed basis, prices averaged \$133.50/cwt, down \$0.67 from the previous week. Trade on Thursday, particularly in the southern plains saw higher prices. Live weight prices in Kansas averaged \$86.68/cwt, up \$0.62 from the previous week. Choice boxed beef dropped nearly \$2/cwt last week while the Choice-Select spread widened slightly. Yearling feeder steer prices held mostly steady in Nebraska and Kansas last week. Prices for 500-600 lb. steers in Kansas averaged \$1.37/cwt lower last week. Buyers in Nebraska used some “slow down” in the corn price increase to bid calf prices more than \$6/cwt higher. Omaha, Nebraska corn prices continued their advance higher though, averaging \$3.25/bu last week, almost twice as high as last year.

| | Last Week | Previous Week | Last Year |
|---|-----------|---------------|-----------|
| Kansas Fed Steer Price, live weight | \$86.68 | \$86.04 | \$90.01 |
| Neb. Fed Steer Price, dressed weight | \$133.50 | \$134.17 | \$141.79 |
| 700-800 lb. Feeder Steer Price, Kansas 4 market average | \$99.22 | \$99.29 | \$116.88 |
| 500-600 lb. Feeder Steer Price, Kansas 4 market average | \$111.65 | \$113.02 | \$132.23 |
| 700-800 lb. Feeder Steer Price, Neb. 7 market average | \$101.43 | \$102.78 | \$118.77 |
| 500-600 lb. Feeder Steer Price, Neb. 7 market average | \$118.29 | \$111.46 | \$137.53 |
| Choice Boxed Beef Price, 600-900 lb. carcass | \$143.08 | \$144.90 | \$151.40 |
| Choice-Select Spread, 600-900 lb. carcass | \$12.93 | \$12.67 | \$11.02 |
| Corn Price, Omaha Nebraska, \$/bu | \$3.25 | \$3.22 | \$1.67 |

OMAHA CORN PRICES Weekly

