

In The Cattle Markets

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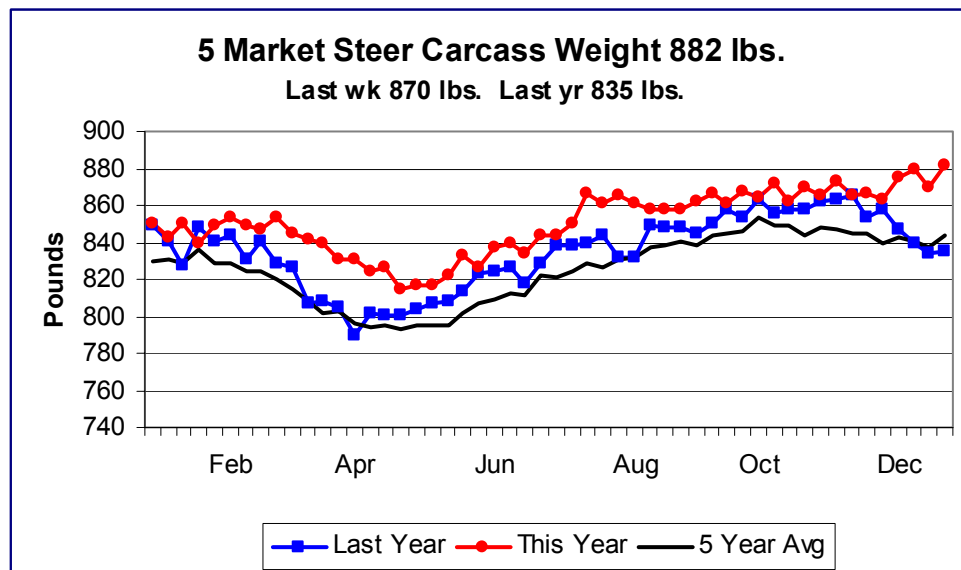
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Carcass Weights

Here are a few facts: The price of corn at Omaha, Nebraska is now over \$3.50 per bushel; Feedlot costs of gain are higher than they have been in 10 years; and Cattle were placed into feedlots at lighter weights the last few months. Normally I would think those factors would all tend to reduce fed cattle slaughter weights. Yet, feedlot weights are at record levels (see the chart below). The 882 pounds for this past week is the largest weekly average on record. This past year, the 5-market steer weight averaged 851 pounds, which was 16 pounds above 2005 and 25 pounds greater than the 2001-2005 average. Late this fall when weights typically decline, they did not. The December average for 2006 was 877 pounds which was 36 pounds heavier than the December average for the last five years. Why have weights continued to increase? There probably is not one single factor but rather several factors that are contributing to heavier weights. First and foremost even with higher costs of gain it may still be profitable to feed to these heavier weights, especially for those selling on a carcass weight basis. Another contributing factor has been that for most of the year fed cattle were marketed at a loss. One way to minimize the high price of feeder cattle placed in a feedlot is to spread that cost over more total weight at sale. More recently, with deferred winter Live Cattle futures trading at a premium to current cash, there is an incentive to feed another week and hope the cash market rises. Ultimately though this added weight results in added beef in the market place. This year for every 34 head sold there was the equivalent carcass weight of 35 head. Essentially, for every potload of cattle sold, one more head of total weight was sold.

Will continued higher corn prices reverse this trend? Will severe winter weather at least lower weights in the short term? I don't know the answer to these questions. However, unless packers change the acceptable carcass weight range, I am inclined to believe that we must be nearing

the upper end of where the average carcass weight can be to avoid major packer discounts for too heavy of a carcass. With an average steer weight of 882 pounds, there had to have been more than a few steers that



exceeded 1,000 pounds of carcass weight and many that exceeded 950 pounds. Most packers use one of these two weights to start applying steep discounts to prices. When feedlots experience those sharp discounts, it is no longer economical to push to higher weights.

The Markets

Slaughter cattle prices were \$3 higher in the south with trade developing on Thursday and Friday and prices were \$3-5 higher in the north with trade on Thursday and Friday this last week. Prices were mostly \$88 in the south and ranged from \$138-140 in the north. Choice boxed beef prices were a little more than \$1.00 higher this week, while Select prices were up almost \$1.75 for the week. The Choice-Select spread decreased this week but remains wider than the historical level. Feeder cattle prices were not reported in Kansas or Nebraska this week as most auctions were closed between Christmas and the New Year. Corn prices increased this past week, and with winter feeding conditions feedlot total costs of gain are near the \$70 per cwt. level.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$88.01	\$85.18	\$94.01
Neb. Fed Steer Price, dressed weight	\$139.44	\$134.92	\$151.32
700-800 lb. Feeder Steer Price, Kansas 4 market average	--	\$100.26	--
500-600 lb. Feeder Steer Price, Kansas 4 market average	--	\$111.00	--
700-800 lb. Feeder Steer Price, Neb. 7 market average	--	\$103.80	\$117.75
500-600 lb. Feeder Steer Price, Neb. 7 market average	--	\$119.33	\$140.00
Choice Boxed Beef Price, 600-900 lb. carcass	\$143.45	\$142.31	\$158.19
Choice-Select Spread, 600-900 lb. carcass	\$15.67	\$16.26	\$14.49
Corn Price, Omaha Nebraska, \$/bu	\$3.56	\$3.43	\$1.89