

In The Cattle Markets

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Cattle Feeders Reduce Placements of Light Weight Cattle

USDA's February Cattle On Feed report indicated that cattle feeders reduced placements of cattle sharply during January 2007. Placements of all cattle on feed were down 23% compared to a year ago.

Cattle feeders are responding to high corn prices by shifting their placement patterns. When corn prices are low, it's advantageous to place light weight cattle on feed. When corn prices are high, economics favor placing heavy weight cattle on feed. The rise in corn prices since the start of harvest last fall has provided a strong disincentive this winter to place light weight cattle on feed. As a result, over the last four months placements of cattle on feed weighing less than 700 pounds have fallen much more sharply than placements weighing more than 700 pounds. The table below provides the breakdown. Placements weighing less than 700 pounds over the last four months declined 23% compared to a year earlier, whereas placements weighing over 700 pounds were just 10% below the prior year. The sharp reduction in light weight placements could lead to tighter than normal fed cattle supplies in late spring and early summer.

U.S. Placements of Cattle On Feed, By Weight October 2006 - January 2007 vs. October 2005 - January 2006

| Weight Group | % Change From Previous Year | # Head Change From Previous Year |
|--------------------|--------------------------------|-------------------------------------|
| Less Than 600 Lbs. | -25.0% | (460) |
| 600-699 Lbs. | -20.5% | (337) |
| 700-800 Lbs. | -13.2% | (291) |
| 800-900 Lbs. | -6.0% | (110) |
| Less Than 700 Lbs. | -22.9% | (797) |
| Over 700 Lbs. | -10.0% | (401) |
| Total | -16.0% | (1,198) |

Regional differences in placement patterns were also evident on the report. Placements during January in Kansas, Oklahoma, and Texas were 36%, 23%, and 37%, respectively, below a year ago. In contrast, placements on feed in Nebraska and Iowa only declined 1% and 6%, respectively compared to January 2006. Placements in South Dakota actually rose 32% compared to last year. Severe winter weather conditions in the Southern Plains explain much of the placements decline in Kansas, Oklahoma, and Texas, although it also appears to be a continuation of a trend that got underway last fall to place more cattle in the North.

The Markets

Slaughter cattle prices were virtually unchanged last week, averaging \$90.80 in Kansas and \$145.09 in Nebraska. Feeder cattle prices were also steady, despite the fact that corn prices rose sharply last week. Choice boxed beef prices averaged \$152, about \$1/cwt. lower than a

week earlier. Seasonally, the Choice-Select price spread tends to bottom out in late winter, which appears to be taking place this year.

| | Last Week | Previous Week | Last Year |
|---|----------------------|--------------------------|----------------------|
| Kansas Fed Steer Price, live weight | \$90.80 | \$90.82 | \$89.01 |
| Neb. Fed Steer Price, dressed weight | \$145.09 | \$146.54 | \$142.99 |
| 700-800 lb. Feeder Steer Price, Kansas 3 market average | \$99.19 | \$99.50 | \$108.32 |
| 500-600 lb. Feeder Steer Price, Kansas 3 market average | \$122.19 | \$122.22 | \$135.16 |
| 700-800 lb. Feeder Steer Price, Neb. 7 market average | \$98.78 | \$101.63 | \$115.91 |
| 500-600 lb. Feeder Steer Price, Neb. 7 market average | \$119.21 | \$120.82 | \$142.24 |
| Choice Boxed Beef Price, 600-900 lb. carcass | \$152.25 | \$153.28 | \$153.21 |
| Choice-Select Spread, 600-900 lb. carcass | \$6.95 | \$7.80 | \$10.47 |
| Corn Price, Omaha, NE, \$/bu (Thursday quote) | \$4.15 | \$3.88 | \$1.92 |
| DDG Wholesale Price, Iowa, \$/ton | \$126.00 | \$126.00 | \$85.50 |