

## In The Cattle Markets

Dillon Feuz, Ph.D.

Professor, Department of Economics, Utah State University

### Feedlot Profitability

With the recent rally in fed cattle prices these last two weeks, feedlots may actually be seeing some positive returns to cattle feeding. My model would suggest those are the first positive returns since October of 2006. I estimate that Nebraska feedlots just barely broke even on last week's sales. That is assuming average purchase prices for feeder cattle and that feed is being purchased on a regular basis. Those feedlots that may have purchased more feed earlier in the feeding process would likely have a little lower cost of gain than I have estimated. As I look at the prices of cattle placed into feedlots last fall that now should be marketed in the next couple of months, those prices are lower than the prices of cattle that are presently being marketed. Therefore, if fed cattle prices remain in the mid \$90 range for the next couple of months, feedlots could see returns of \$50 per head or more on some pens. There are a couple of very positive signs that might indicate the fed cattle market will stay strong for several weeks. Fed cattle weights have been declining and are below last year's level. The seasonal pattern would be for weight to continue to decline for a couple of more months. With profitability returning to feedlots, cattle should continue to be marketed on a timely basis. That should help feedlots maintain some marketing leverage versus the packers.

### The Markets

Slaughter cattle prices were sharply higher in the south with light to moderate trade and prices were equally higher in the north with a fairly active trade this last week. Prices were \$98-99 in the south and mostly \$155 in the north. Choice boxed beef prices were more than \$6.00 higher this week, while Select prices were about \$5.00 higher for the week. The Choice-Select spread increased this week and is wider than the historical level. Feeder cattle prices were higher in Kansas and Nebraska this week. Prices for 7-weight steers were \$3-4/cwt higher and prices for lighter 5-weight calves were also \$3-4 higher. Corn prices were a few cents per bushel lower at Omaha this last week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$98.29	\$94.03	\$86.14
Neb. Fed Steer Price, dressed weight	\$155.36	\$149.40	\$136.58
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$105.94	\$101.99	\$103.19
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$127.68	\$123.14	\$133.10
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$107.46	\$104.65	\$108.92
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$127.63	\$124.00	\$136.20
Choice Boxed Beef Price, 600-900 lb. carcass	\$155.70	\$149.29	\$148.22
Choice-Select Spread, 600-900 lb. carcass	\$8.22	\$6.83	\$10.64
Corn Price, Omaha Nebraska, \$/bu	\$3.94	\$3.98	\$1.90