

In The Cattle Markets

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Cattle On Feed Inventory Grows in Northern Plains

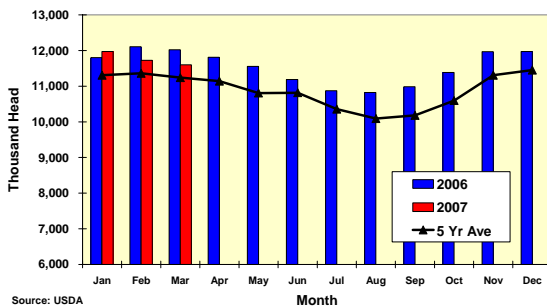
In its March Cattle on Feed report released last week, USDA estimated the on feed inventory in feedyards with more than 1,000 head at 11.599 million head, down 3.5% from last year but 3.2% higher than the five-year average. Still, the total was close to pre-release expectations. Cattle on feed numbers continued to grow in the northern plains relative to the south. Inventories in South Dakota, Nebraska, and Iowa were up 9.5%, 2.4%, and 1.9%. Kansas and Texas both saw declines of 7%, while on feed numbers in Oklahoma were down 4%.

Increases in net placements during February in the northern plains states supported higher on feed numbers on March 1. Net placements were up 8.6%, 9.4%, and 41.4% in Iowa, Nebraska, and South Dakota, respectively. While placements were about 5% lower in Kansas, Texas and Oklahoma feeders placed more cattle in February 2007 than February 2006, likely as a result of moderating winter weather that slowed placements during January. As a result, net placements were 3.9% higher for the U.S., close to 2% higher than expected. Placements of 800+ lb. feeders were up over 14% compared to last year, revealing feeders preference to place heavier cattle that will finish in the early summer during seasonally stronger fed cattle prices and that will consume fewer bushels of expensive corn.

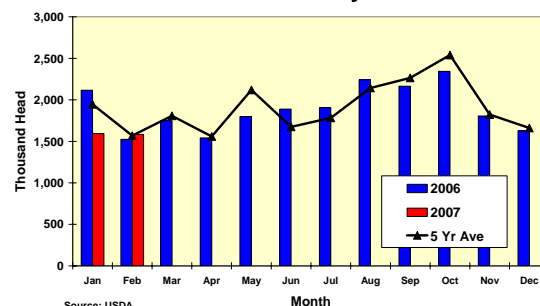
At 1.711 million head, February marketings were up 6.1% compared to last year, slightly higher than expected. This marketings pace is substantially improved since last year, with marketings as a percent of the on feed inventory at 14.6%, an increase of 9.6% from last year. Apparently, relatively strong fed cattle prices coupled with high feed costs resulted in improved marketings.

The fed cattle market's response to the Cattle on Feed report was mixed on Monday. Nearby futures contracts were supported by the favorable marketings number in the report. However, bull spreading did result in weakness in the deferred contracts in response to the increase in placements against those deferred months.

**Cattle on Feed, All States,
1000+ Head Feedyards**



**Net Placements, All States,
1000+ Head Feedyards**



The Markets

The fed cattle trade was active in Kansas last Friday, at prices that were mostly \$1/cwt lower than the previous week. Trade developed in Nebraska on Thursday at prices that were about \$2/cwt lower on a dressed basis. The weakness in the fed cattle market resulted in part to the \$3.84/cwt lower prices for boxed beef last week. The corn market continued to find some buyers ahead of the Prospective Plantings Report out later this week, with prices last week in Omaha more than a dime higher than the previous week. As a result, feeder cattle prices averaged \$1-4/cwt lower for the week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$97.10	\$97.94	\$86.34
Neb. Fed Steer Price, dressed weight	\$157.62	\$159.59	\$137.54
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$105.24	\$106.21	\$105.07
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$130.48	\$134.86	\$130.26
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$107.81	\$108.95	--
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$128.90	\$129.54	--
Choice Boxed Beef Price, 600-900 lb. carcass	\$161.66	\$165.50	\$142.22
Choice-Select Spread, 600-900 lb. carcass	\$10.08	\$10.30	\$11.04
Corn Price, Omaha Nebraska, \$/bu (Thursday quote)	\$3.85	\$3.73	\$1.84
DDG Wholesale Price, Iowa, \$/ton	\$130.00	\$130.00	\$81.00