

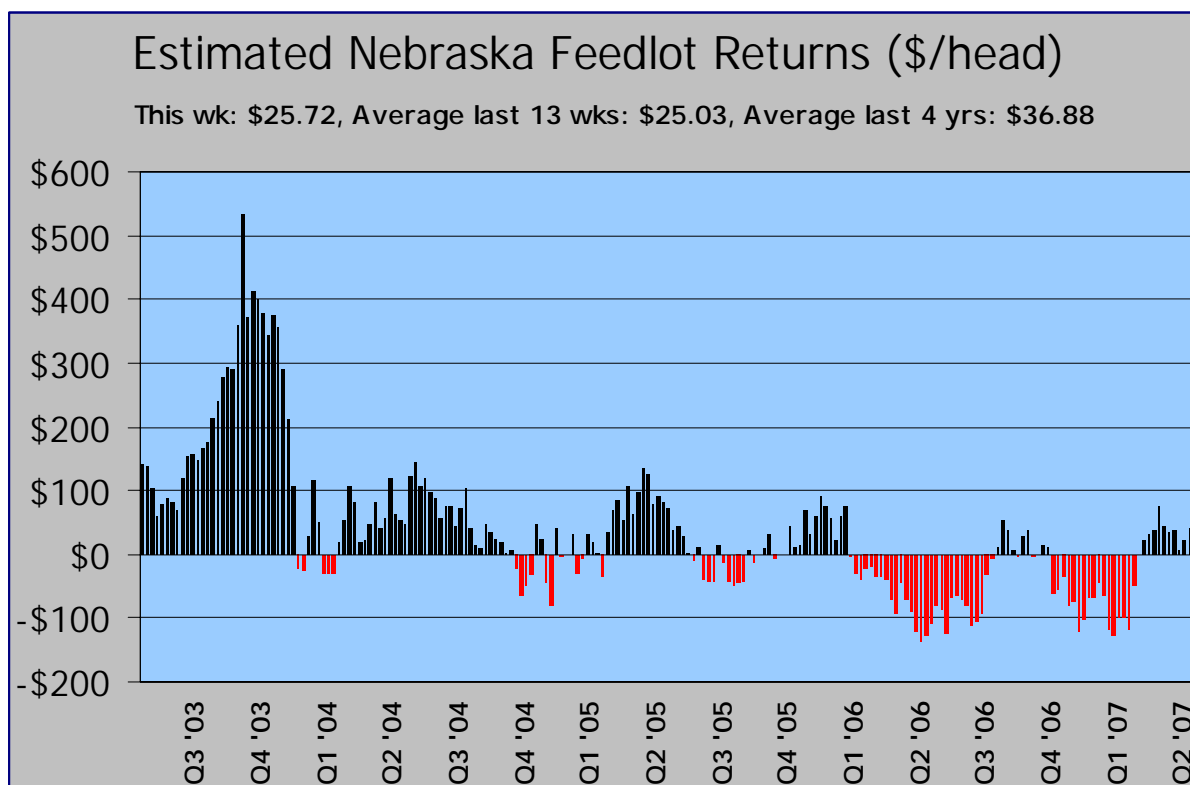
In The Cattle Markets

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Feedlot Profitability

After losing money for most of 2006 and for the first two months of this year, feedlot returns have been modestly positive for the last three months. By my estimate, the average return to feedlots in Nebraska since March of this year has been \$25 per head. A moderation in feed prices and fairly strong fed cattle prices has helped feedlots this spring. Lighter slaughter weights, which has reduced total beef tonnage has likely kept the box beef market a little higher and this has helped fed cattle prices. Looking into the future, it would appear that prices for fed cattle in Nebraska would need to average over \$90 per cwt. for June, July and August for feedlots to be able to show positive returns throughout that time frame. Current June and August Live cattle futures are at \$90.70 and \$91.10 per cwt. If basis follows historical levels that would imply fed cattle prices for June, July and August of \$92, \$90.50 and \$90.75 per cwt.. It would therefore appear that feedlots will be doing well to just cover costs over the next three months. While this is preferable to red ink, there probably won't be enough black ink for feedlots to get very aggressive with fall feeder cattle purchases. With uncertain feed prices, I would expect feedlots to be conservative in buying feeder cattle this fall.



The Markets

Slaughter cattle prices were lower in the south with light to moderate trade on Thursday and Friday and prices were equally lower in the north with a trade on Wednesday and Thursday this last week. Prices were \$94-95, down \$3-4, in the south and mostly \$151 in the north, which was \$3 lower. Choice boxed beef prices were also lower this week dropping about \$4, while Select prices were \$3.00 lower for the week. The Choice-Select spread decreased this week and is narrower than the historical level. Feeder cattle prices were lower in Kansas and not well reported in Nebraska this week past week. Prices for 7-weight steers were about \$1/cwt lower in Kansas and prices for lighter 5-weight calves were also \$1 lower. Corn prices were 11 cents per bushel higher at Omaha this last week and the Dried Distillers Grains were steady.

| | Last Week | Previous Week | Last Year |
|---|------------------|----------------------|------------------|
| Kansas Fed Steer Price, live weight | \$94.26 | \$97.89 | \$81.10 |
| Nebraska Fed Steer Price, dressed weight | \$150.78 | \$154.36 | \$126.13 |
| 700-800 lb. Feeder Steer Price, KS 3 market average | \$110.81 | \$111.61 | \$108.45 |
| 500-600 lb. Feeder Steer Price, KS 3 market average | \$121.79 | \$122.50 | \$124.99 |
| 700-800 lb. Feeder Steer Price, NE 7 market average | \$112.58 | \$114.92 | \$109.54 |
| 500-600 lb. Feeder Steer Price, NE 7 market average | \$130.57 | \$139.82 | \$120.91 |
| Choice Boxed Beef Price, 600-900 lb. carcass | \$162.09 | \$166.27 | \$146.41 |
| Choice-Select Spread, 600-900 lb. carcass | \$11.98 | \$12.98 | \$20.34 |
| Corn Price, Omaha, NE, \$/bu (Thursday quote) | \$3.64 | \$3.53 | \$2.13 |
| DDG Wholesale Price, Iowa, \$/ton | \$100.50 | \$100.50 | \$83.50 |