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In The Cattle Markets

Dillon Feuz, Ph.D.

Professor, Department of Economics, Utah State University

Corn and Calf Prices

Some cattle producers have already sold calves for fall delivery and many producers are watching the markets more closely to see where prices might be this fall. Video sales from the last couple of weeks have 5-weight steers in the North Central region priced around \$128 per cwt and West region steers about \$120 per cwt. for fall delivery. Based on the CME Feeder Cattle contracts and historical basis, I would expect 550 pound steers to be between \$125-130 in the North Central region and between \$115-120 in the West. It appears that the video markets and the CME contracts are responding to the same information.

One of the main drivers of price this year is likely to be the price of corn. In mid June when DEC Corn was trading at \$4.20 per bushel, OCT Feeder Cattle were at \$107 per cwt. DEC Corn declined to \$3.36 on August 1 and OCT Feeder Cattle had increased to \$118 per cwt. The expectations for winter and next spring fed cattle prices also increased during that time which also provided added strength to the feeder cattle market. Since August 1, DEC Corn has been increasing again, Live Cattle contracts have been declining and not surprisingly, Feeder Cattle have also declined and closed at \$115.25 on August 8.

The old adage of a dime increase in a bushel of corn will lead to a dollar decrease in the price of a 5 weight calf still seems to hold true. I recently completed an analysis of feeder cattle prices from 1991- July 2007 and that was the relationship I found. Obviously, as the price, or expected price of fed cattle increases/decreases, feeder cattle prices also tend to increase/decrease. Right now in the corn market there is equal money bet on DEC Corn prices being below \$3.30 or above \$4.00 per bushel this fall. That is a swing of \$.70 per bushel which could swing calf prices \$7 per cwt. The next few weeks weather in the corn belt will help determine where the corn market will end up this winter.

The Markets

Slaughter cattle prices were higher in the south with active trade on Friday and prices were also higher in the north with a trade on Friday this last week. Prices were \$92.50, up \$1-1.50 in the south and \$144-145 in the north, which was \$2-3 higher. Choice boxed beef prices were also higher this week increasing about \$3, and Select prices were also about \$3 higher as well for the week. The Choice-Select spread remained steady this week and is near the historical level. Feeder cattle prices were mixed in Kansas and Nebraska this week past week on relatively small volumes. Prices were generally from \$3 lower to \$2 higher. Corn prices were 8 cents per bushel higher at Omaha this last week and the Dried Distillers Grains were \$2.50 per ton lower.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$92.32	\$91.19	\$80.40
Nebraska Fed Steer Price, dressed weight	\$144.65	\$141.26	\$128.32
700-800 lb. Feeder Steer Price, KS 3 market average	\$118.17	\$117.72	\$116.73
500-600 lb. Feeder Steer Price, KS 3 market average	\$128.83	\$131.50	\$130.79
700-800 lb. Feeder Steer Price, NE 7 market average	\$117.13	\$118.75	\$118.78
500-600 lb. Feeder Steer Price, NE 7 market average	\$129.99	\$127.70	\$134.60
Choice Boxed Beef Price, 600-900 lb. carcass	\$143.75	\$140.77	\$140.62
Choice-Select Spread, 600-900 lb. carcass	\$5.99	\$5.95	\$14.86
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$3.11	\$3.03	\$2.17
DDG Wholesale Price, Iowa, \$/ton	\$92.50	\$95.00	\$72.00