August 15, 2007

In The Cattle Markets

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Shifting Pattern of Placements On Feed

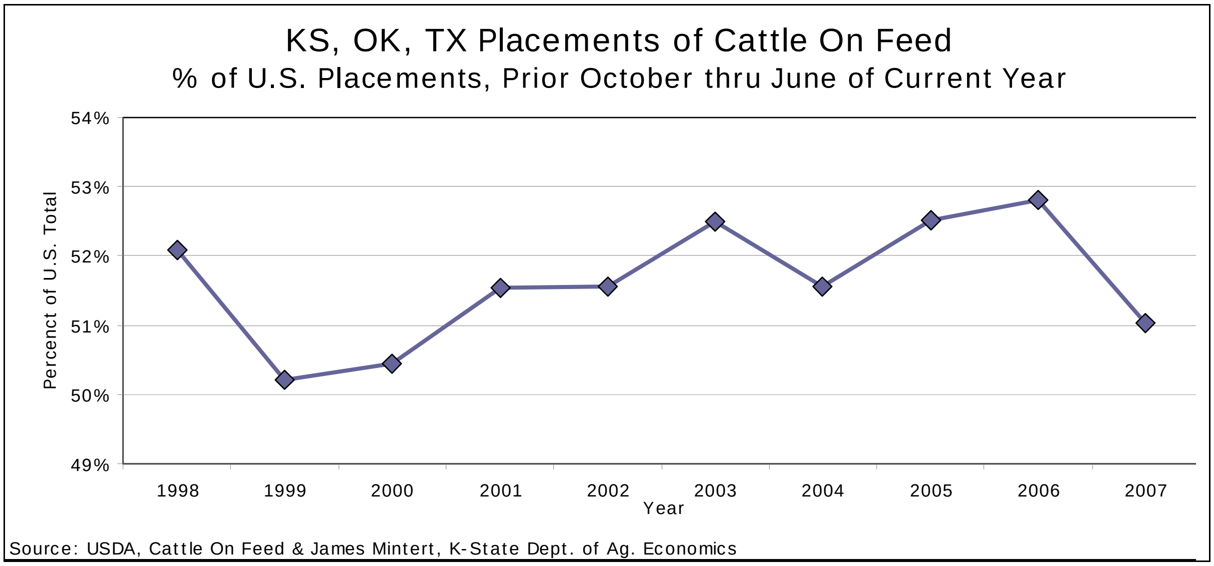
Increasing production of ethanol, and the resulting increase in distiller's grains availability, has the potential to change the cattle feeding landscape. One area of interest is whether the heavy concentration of ethanol production in the Upper Midwest will have an impact on where cattle are fed in the future. Shifts in cattle feeding do not occur over night, primarily because it takes time develop infrastructure in a region. Additionally, a strong incentive to utilize existing facilities also exists, which also tends to slow down regional shifts. Given that the dramatic increase in ethanol production is a recent phenomenon, this means it is too soon for large shifts in cattle feeding to occur. Still, it is instructive to examine recent cattle feeding data and compare it with historical data to ascertain whether a shift in cattle feeding might be underway.

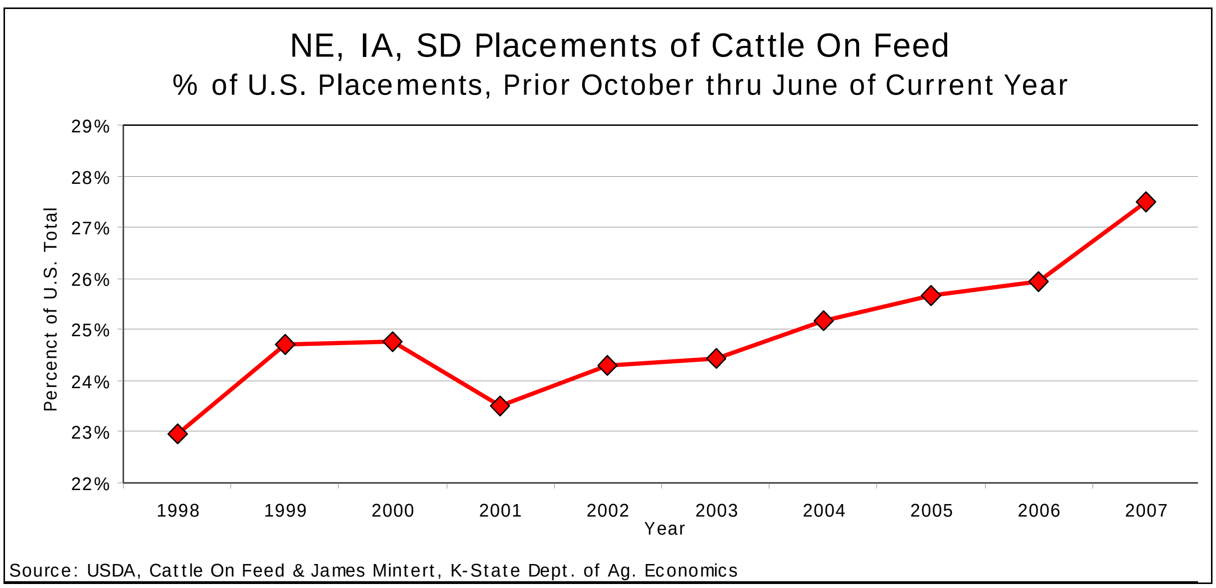
One way to examine whether cattle feeding is shifting is to look at placement on feed data, as reported on USDA's *Cattle On Feed* reports. Given that the corn price environment really started to change just last fall, placement data from October 2006 through June 2007 was compared to the same time period for the prior nine years. Potential regional shifts in cattle feeding were examined by aggregating the placement on feed data from Kansas, Oklahoma, and Texas (Southern Plains) and comparing it to placement data from Nebraska, Iowa, and South Dakota (Northern Plains-Upper Midwest). Since the data used were collected from USDA's *Cattle On Feed* reports this means that only placement data from feedlots of 1,000 head and over were used in the analysis. Thus, changes in placements of cattle on feed in small feedlots were not measured in this data set. To provide insight into whether a shift in cattle feeding is underway, each region's placements from October through June were calculated as a percentage of the U.S. total for that time period. The two graphs below summarize the findings.

In 1998 about 52% of the cattle placed on feed in the U.S. were in the Southern Plains. Southern Plains states' market share of placements on feed dipped to just over 50% in 1999 and 2000. By 2006, however, the Southern Plains share of placements on feed had grown to 53%. But during October 2006-June 2007, the Southern Plains share of U.S. placements dipped to 51%.

Northern Plains and Upper Midwest feedlots share of U.S. placements on feed from October 1997 through June 1998 was 23%. The Northern Plains and Upper Midwest states share of placements on feed approached 25% in 1999 and 2000 before dipping back below 24% in 2001. However, Nebraska, Iowa, and South Dakota's combined share of U.S. placements on feed increased steadily over the next five years, reaching 26% in 2006. And, during October 2006-June 2007 the Northern Plains-Upper Midwest state's share of U.S. placements on feed jumped to 27.5%.

So, although it's too soon to reach a definitive conclusion about long-term shifts in cattle feeding, available data indicates that the Northern Plains-Upper Midwest states have been gaining market share for several years. Furthermore, the pace of change appears to have accelerated during fall 2006 through spring 2007. Widespread availability of distillers grains in the region could lead to further market share gains for the Northern Plains –Upper Midwest states.





The Markets

Slaughter cattle prices last week in Kansas and Nebraska weakened compared to the prior week, declining $1.68/cwt (live weight) in Kansas and about $2/cwt. in Nebraska (dressed weight). Boxed beef prices last week increased less than $1/cwt. compared to a week earlier. The Choice-Select spread remained very narrow, averaging $5.35/cwt. down $0.64/cwt. for the week. Feed grain prices strengthened moderately, but DDG prices were unchanged.

Feeder cattle prices in Kansas remained strong with 700-800 lb. steers trading at year ago levels. Steer calf prices in Kansas last week were declined about $1.70/cwt. but were just $3/cwt. lower than this time last year. Feeder cattle and calf prices are near 2006 levels despite the fact that corn prices are about $1/bushel higher than in 2006.

	Last Week	**Previous Week**	**Last Year**
Kansas Fed Steer Price, live weight	$90.64	$92.32	$85.69
Neb. Fed Steer Price, dressed weight	$142.60	$144.65	$135.34
700-800 lb. Feeder Steer Price, Kansas 4 market average	$118.77	$118.17	$118.96
500-600 lb. Feeder Steer Price, Kansas 4 market average	$127.12	$128.83	$130.28
700-800 lb. Feeder Steer Price, Neb. 7 market average	$118.94	$117.13	$120.57
500-600 lb. Feeder Steer Price, Neb. 7 market average	$133.63	$129.99	$131.94
Choice Boxed Beef Price, 600-900 lb. carcass	$144.53	$143.75	$146.70
Choice-Select Spread, 600-900 lb. carcass	$5.35	$5.99	$11.92
Corn Price, Omaha Nebraska, $/bu (Thursday quote)	$3.19	$3.11	$2.11
DDG Wholesale Price, Iowa, $/ton	$92.50	$92.50	$70.00