

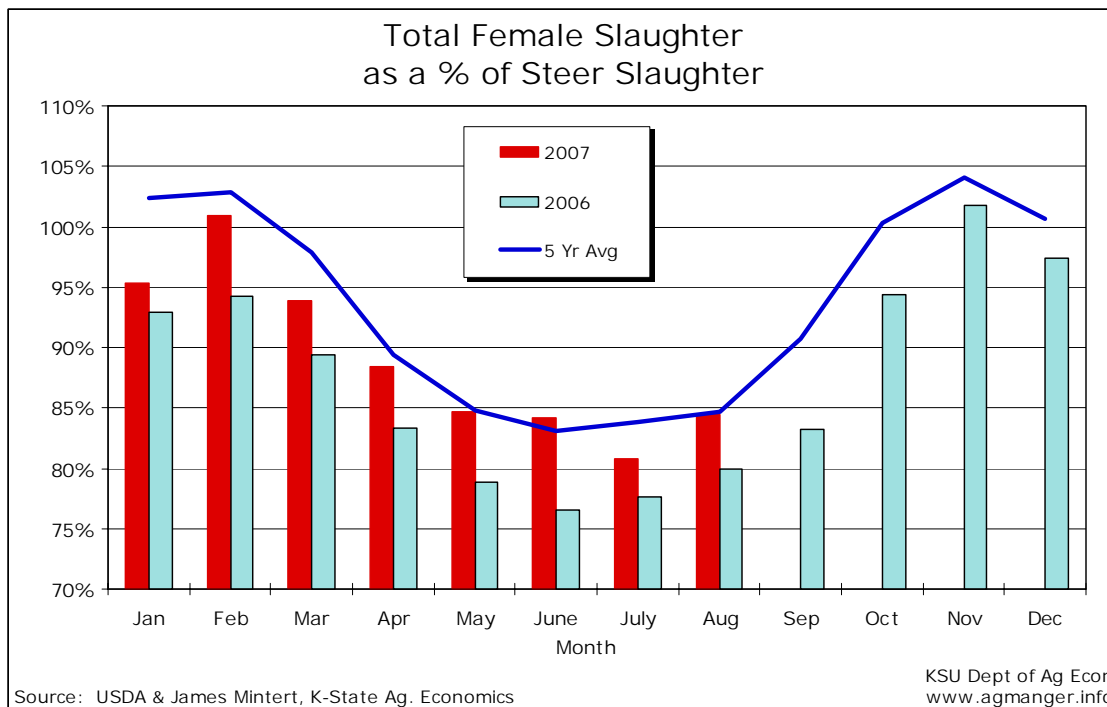
In The Cattle Markets

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No Signs of Herd Expansion

Despite strong slaughter and feeder cattle prices, cow-calf producers show no signs of holding back females for herd expansion. Through mid-September, federally inspected cattle slaughter during 2007 was about 1% larger than 2006's, but all of the slaughter increase was attributable to increases in female slaughter. Heifer slaughter this year has been up 3%, and cow slaughter up 7%, compared to 2006. Historically, female slaughter expressed as percentage of steer slaughter has provided a good indication regarding whether or not producers are expanding or contracting their herds. So far this year the ratio of female to steer slaughter is running about 89% compared to 83% last year at this time. As a result, it looks like the all cattle and calves inventory on January 1, 2008 will be no larger than a year earlier. Importantly, rising costs in the cow-calf sector suggest that little or no expansion is on the horizon the next couple of years, which implies that annual slaughter volume is not likely to increase in the foreseeable future.



The Markets

Slaughter cattle prices last week in Kansas and Nebraska strengthened, compared to the prior week, reaching \$96.16/cwt (live weight) in Kansas and \$149.83/cwt. in Nebraska (dressed weight). Boxed beef prices last week increased last week, but the increase was much smaller in both absolute and percentage terms than the increase in slaughter cattle prices. As a result,

packer margins remained very tight. Prices for 700-800 lb. steers in Kansas were virtually unchanged last week. Prices for 500-600 lb. steers were about \$2/cwt. lower than two weeks ago.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$96.16	\$94.27	\$91.74
Neb. Fed Steer Price, dressed weight	\$149.83	\$146.16	\$140.32
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$118.69	\$118.04	\$117.38
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$125.03	\$123.20	\$128.41
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$122.69	\$119.65	\$120.73
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$126.38	\$127.37	\$130.81
Choice Boxed Beef Price, 600-900 lb. carcass	\$146.68	\$145.74	\$141.34
Choice-Select Spread, 600-900 lb. carcass	\$9.21	\$8.49	\$8.68
Corn Price, Omaha Nebraska, \$/bu (Thursday quote)	\$3.43	\$3.26	\$2.38
DDG Wholesale Price, Iowa, \$/ton	\$102.50	\$97.50	\$72.50