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In The Cattle Markets

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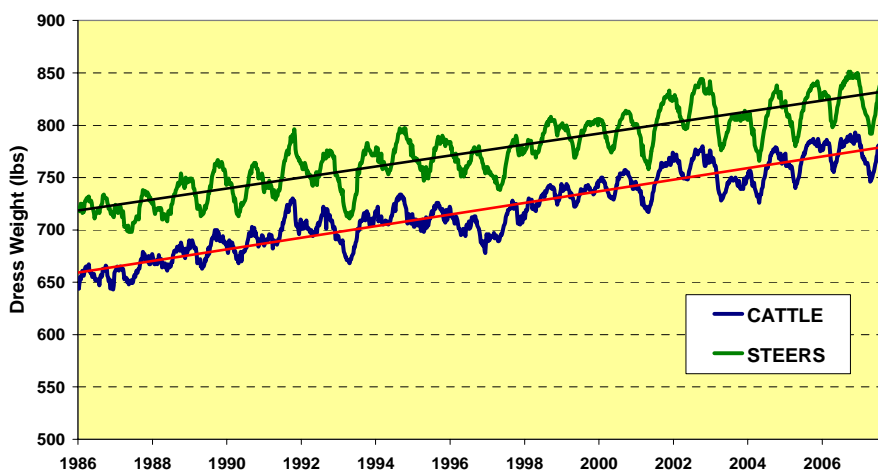
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The Big Keeps Getting Bigger

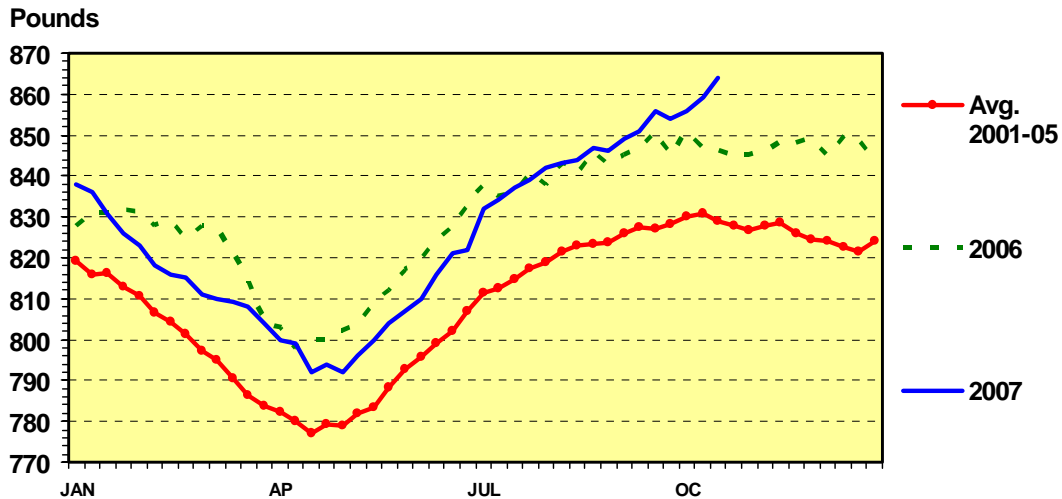
Federally inspected dressed weights for all cattle and steers set record highs recently. For the week ending November 3, all cattle dressed weights averaged 794 pounds, 1.4% higher than last year and 4.0% higher than the five year average. At 864 pounds for the week ending October 20, steer weights were 2.1% (or 20 pounds) heavier than last year and 4.2% higher than the five year average. All cattle and steer weights have been increasing dramatically for the past twenty years (see graph) – around 5 pounds per year on average.

In 2007, steer dressed weights fell below year-ago levels from February through July when corn prices were highest. However, since late summer when corn prices began to decline, steer dressed weights have continued to increase well beyond last year's levels. The continued advance in dressed weights, despite relatively high corn prices keeping cost of gain higher than that of previous years, comes as a result of several factors. First, fed cattle prices have remained in the upper \$80s and low \$90s, above the marginal cost of weight gain even for heavy, near-finished cattle. Second, cost of gain has been decreasing for the past several months. Third, feeder cattle supplies remain tight and feedyards are likely feeding the cattle they have to heavier weights rather than placing new cattle in their yards. Fourth, cattle feeding performance (i.e., average daily gain and feed efficiency) has improved this fall. Fifth, with fed cattle prices a little lower than expected and below breakevens, it is likely that feeders have been delaying sales in hopes of selling on a stronger market.

Cattle Dressed Weight Federally Inspected, Weekly



STEER DRESSED WEIGHT Federally Inspected, Weekly



The Markets

The fed cattle market was steady last week in Kansas, with prices averaging \$92.84/cwt on a live weight basis. Dressed prices in Nebraska were down \$1-2, averaging \$141.03 for the week. The weakness in the fed cattle market came as Choice boxed beef prices dropped \$3.63/cwt. The spread Choice-Select spread narrowed about \$1 as well. Corn price in Omaha was about \$0.07/bu higher than the previous week and DDG prices were stronger as well. Steer calf prices were steady to \$1 higher in Kansas and Nebraska last week, while yearling steer prices were around \$3/cwt lower for the week.

	Week of 11/2/07	Week of 10/26/07	Week of 11/03/06
Kansas Fed Steer Price, live weight	\$92.84	\$92.87	\$88.76
Nebraska Fed Steer Price, dressed weight	\$141.03	\$142.67	\$137.83
700-800 lb. Feeder Steer Price, KS 3 market average	\$110.35	\$113.11	\$106.03
500-600 lb. Feeder Steer Price, KS 3 market average	\$119.91	\$119.01	\$122.61
700-800 lb. Feeder Steer Price, NE 7 market average	\$111.82	\$115.27	\$108.01
500-600 lb. Feeder Steer Price, NE 7 market average	\$120.03	\$119.83	\$119.07
Choice Boxed Beef Price, 600-900 lb. carcass	\$140.03	\$143.66	\$147.52
Choice-Select Spread, 600-900 lb. carcass	\$11.61	\$12.56	\$12.09
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$3.44	\$3.37	\$3.18
DDG Wholesale Price, Iowa, \$/ton	\$126.00	\$120.00	\$91.50