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## **In The Cattle Markets**

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### **All I Want For Christmas Is A Positive Breakeven**

Over the past two months, it seems like corn prices have been conspiring to become the Grinch to steal away profits for cattle feeders. As Figure 1 illustrates, Omaha, NE corn prices have risen from their harvest low of \$2.98/bu at the beginning of October to \$4.00/bu this week. Along with that, feeding cost of gain in Nebraska has risen from the mid-\$60s to mid-\$70s. Prices for 600-700 lb. feeder steers have dropped about \$5.50/cwt during that same time which eases the strain on the feeding margin.

Consider placing a 650 lb. steer on feed in December that would cost \$113.89/cwt (last week's weighted average for Nebraska). Assume that steer gains 3.00 lbs. per day and has a feed conversion of 6.5 lbs. feed per lb. of gain (DM basis) so that it reaches a finished weight of 1250 lbs. in 200 days, or the beginning of July. Pricing corn at \$4.00/bu, hay at \$115/ton, supplement at \$220/ton, and yardage at \$0.35/head/day results in a feeding cost of gain of about \$77/cwt (including interest expenses, processing costs, death loss, etc.) and a breakeven selling price around \$96.50/cwt. With August 2008 futures at about \$95/cwt and an expected basis next July of -\$1.77/cwt, that results in a loss of \$3.20/cwt or \$40/head.

Replacing some of the corn in the diet with wet distillers grains plus solubles (WDGS) might be one way to lower the breakeven enough to generate a profit. The reason this might work is illustrated in Figure 2. While corn prices have been increasing in the last two months (see Figure 1), WDGS prices have also been increasing (see Figure 2). However, the increase in WDGS prices have not been as rapid as the corn price increase. WDGS prices as a percent of the corn price (on a DM basis) has stayed relatively constant in the last several months (between 80-90%), and, more importantly, has actually been falling in the past month (Figure 2). This makes WDGS cheaper to feed than corn. Plus, it's a higher energy, higher protein feed that results in better feeding performance.

Adjusting the budget calculations above for this lower ingredient cost and improved feeding performance results in a feeding cost of gain around \$69/cwt. With all other inputs priced as above and WDGS at \$47/ton and included in the ration at a level of 30% of the ration's dry matter content, the breakeven selling price drops to \$92.25. With a futures adjusted expected price of \$93.25/cwt next July, about \$1/cwt or \$12.50/head can be made.

So, it appears that a cattle feeder could have a happy holiday placing cattle on feed after all.

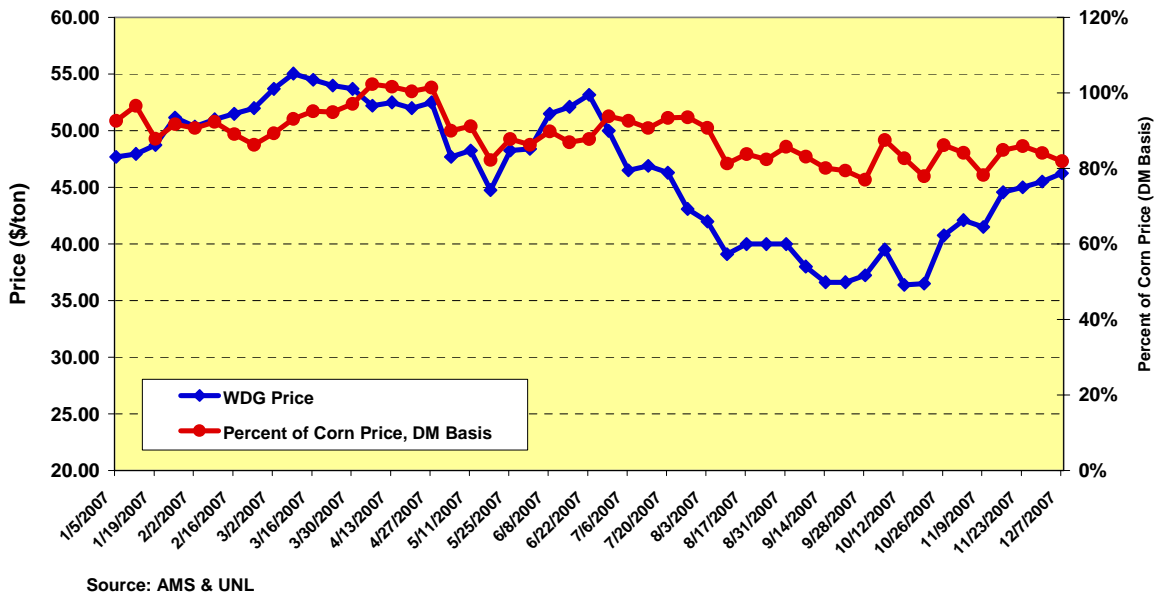
Figure 1

### Omaha, Neb #2 Yellow Cash Corn Price, 2001-2007



Figure 2

### Wet Distillers Grain Price, Nebraska 30-35% DM, 2007



## The Markets

Cattle and beef markets were lower last week. For the week, fed cattle prices in Kansas were down more than \$1/cwt on a live weight basis and dressed prices in Nebraska dropped nearly \$4/cwt. Fed cattle prices still remain 7-8% higher than last year though. Choice boxed beef averaged \$148.33 last week, more than \$2/cwt lower, while the spread between Choice and Select widened another \$1/cwt. Corn prices, basis Omaha, NE, rallied \$0.14/bu through last Thursday and the price of DDGs rose about \$1.50/ton. As a result, feeder cattle prices were generally weaker. Kansas feeder cattle prices were down \$4-5/cwt, while Nebraska yearling steer prices were mostly steady and steer calf prices averaged a couple dollars higher last week.

	<b>Week of 12/7/07</b>	<b>Week of 11/30/07</b>	<b>Week of 12/08/06</b>
Kansas Fed Steer Price, live weight	\$93.93	\$95.11	\$86.78
Nebraska Fed Steer Price, dressed weight	\$145.96	\$149.86	\$135.85
700-800 lb. Feeder Steer Price, KS 3 market average	\$106.23	\$110.38	\$101.92
500-600 lb. Feeder Steer Price, KS 3 market average	\$114.34	\$119.43	\$115.39
700-800 lb. Feeder Steer Price, NE 7 market average	\$111.46	\$111.75	\$105.64
500-600 lb. Feeder Steer Price, NE 7 market average	\$123.52	\$121.12	\$118.10
Choice Boxed Beef Price, 600-900 lb. carcass	\$148.33	\$150.65	\$142.53
Choice-Select Spread, 600-900 lb. carcass	\$16.03	\$15.04	\$16.54
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$3.87	\$3.73	\$3.36
DDG Wholesale Price, Iowa, \$/ton	\$140.00	\$138.50	\$125.00