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In The Cattle Markets

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Corn and Cattle

The USDA released the Annual Crop Production report and the Grain Stocks report this past Friday January 11. Current corn stocks and projected ending stocks for this crop year were both reduced by about 300 million bushels from what the trade had expected. In the case of expected ending stocks, the reduction was more than 350 million bushels from what was projected in December last year. This reduction was primarily the result of a reduction in production of 100 million bushels and an increase in feeding of 300 million bushels. The result in the market place was to see corn futures jump \$.30 cents a bushel in two trading days and now most corn contracts are trading over \$5.00 per bushel.

What does that do for cost of gain in the feedlot? The cost of gain in October when corn was priced around \$3.00 per bushel was probably around \$65 per cwt., with \$5.00 corn the cost of gain is now probably closer to \$85 per cwt. With fed cattle prices now close to \$90 per cwt. that does not leave much room for higher feeder cattle prices. Break-even purchase price on an 8-weight steers would be about \$93 per cwt. and the break-even for a 6-weight steer would only be \$96 per cwt. If corn prices remain over \$5.00 per bushel, then cash prices for feeder cattle will likely decline from present levels.

The Markets

Slaughter cattle prices were \$3.50 lower in the south with light trade late on Friday and prices were equally lower in the north with limited Friday trade. Choice boxed beef prices were a little higher this week compared to last week. The Choice-Select spread decreased slightly last week and is at the historical level. Feeder cattle prices were higher in Kansas and steady in Nebraska this past week. Corn prices were up for the week at Omaha and the Dried Distillers Grains were \$10 per ton higher for the week.

Cattle or Meat Category	Week of 1/11/08	Week of 01/04/08	Week of 01/12/07
Kansas Fed Steer Price, live weight	\$91.34	\$94.95	\$87.86
Nebraska Fed Steer Price, dressed weight	\$147.36	\$150.61	\$140.17
700-800 lb. Feeder Steer Price, KS 3 market average	\$100.19	\$98.45	\$99.37
500-600 lb. Feeder Steer Price, KS 3 market average	\$113.70	\$110.69	\$119.39
700-800 lb. Feeder Steer Price, NE 7 market average	\$100.04	\$100.50	\$100.54
500-600 lb. Feeder Steer Price, NE 7 market average	\$119.11	\$119.57	\$118.80
Choice Boxed Beef Price, 600-900 lb. carcass	\$149.24	\$148.06	\$152.50
Choice-Select Spread, 600-900 lb. carcass	\$10.30	\$11.08	\$14.15
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$4.54	\$4.49	\$3.46
DDG Wholesale Price, Iowa, \$/ton	\$171.50	\$161.00	\$125.00