

In The Cattle Markets

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The State of the Cattle Industry

Things are interesting in the cattle business these days. Here are a few of my observations about the present market. This past week 750, 850, and 950 pound steers all sold for about the same price per pound in Nebraska. Feedlots seem to be signaling that they would prefer to place feeders at heavier weights and avoid feeding that high priced corn. Fed cattle weights have also been declining since November of last year and are now below the 5-year average. That decline may also reflect a dislike for feeding high priced corn. Seasonally, weights should continue to decrease for a few months, and that should help support box beef prices by reducing supply. The current decline in weights does not seem to be impacting quality grades. At least there would appear to be plenty of Choice grading cattle to meet current demand as the Choice-Select spread has narrowed considerably in the last couple of months. Packer margins have likely improved in the last few weeks but feedlots are probably losing over \$100 per head on most sale lots. Feeder cattle prices are generally on the defensive and looking at feeder cattle option premiums would indicate a lot of uncertainty in the market. The message to all of this is that 2008 is starting out to be a very challenging year for the cattle industry. Lower returns and increased risk is the current state of the industry.

The Markets

Slaughter cattle prices were about \$1 lower in the south with trade on Friday and prices were \$4 lower in the north with trade on Thursday and Friday. Prices were \$90-91 in the south and mostly \$143 in the north. Choice boxed beef prices were a little lower this week compared to last week. The Choice-Select spread decreased last week and below the historical level. Feeder cattle prices were lower in Kansas and mixed in Nebraska this past week. Corn prices were up at Omaha and the Dried Distillers Grains were \$14 per ton higher for the week.

Cattle or Meat Category	Week of 1/18/08	Week of 01/11/08	Week of 01/19/07
Kansas Fed Steer Price, live weight	\$90.56	\$91.34	\$86.91
Nebraska Fed Steer Price, dressed weight	\$142.77	\$147.36	\$139.64
700-800 lb. Feeder Steer Price, KS 3 market average	\$97.60	\$100.19	\$96.71
500-600 lb. Feeder Steer Price, KS 3 market average	\$111.91	\$113.70	\$111.22
700-800 lb. Feeder Steer Price, NE 7 market average	\$95.20	\$100.04	\$97.51
500-600 lb. Feeder Steer Price, NE 7 market average	\$122.15	\$119.11	\$116.50
Choice Boxed Beef Price, 600-900 lb. carcass	\$147.34	\$149.24	\$154.56
Choice-Select Spread, 600-900 lb. carcass	\$7.66	\$10.30	\$13.11
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$4.74	\$4.54	\$3.82
DDG Wholesale Price, Iowa, \$/ton	\$185.00	\$171.50	\$127.00