

In The Cattle Markets

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Cattle Numbers Decline

Last Friday, USDA released its annual cattle inventory report. USDA reported the total number of cattle and calves at 96.67 million head on January 1, 2008, down 334,000 head from last year and consistent with pre-release estimates. This reduction in the total herd seems to have brought about a pre-mature end to the current cattle cycle that started in 2004. Much of the herd reduction resulted from a decline in the beef cow herd of 338,000 head, or 1%, during 2007. The smaller beef cow herd was much anticipated due to higher beef cow slaughter in 2007 and reduced beef heifer retention. USDA reported the number of heifers held for beef cow replacements was down 3.5%, or 207,000 head, at 5.67 million head, close to expectations. While beef cow herd and beef replacement heifers inventories were lower than year-ago levels, the number of milk cows and dairy replacement heifers posted increases of 1.0% and 3.4%, respectively.

USDA also provided an estimate of the 2007 calf crop in its report last week. At 37.361 million head, last year's calf crop was 158,000 head less than in 2006 (which was also revised lower) and was the smallest calf crop since 1951. As a result, feeder cattle supplies will remain tight for the next two to three years, supporting relatively strong prices in spite of significantly higher feed grain prices.

Record high wheat prices this past winter also had a big impact on winter wheat grazing. USDA confirmed that the surge in cattle placements on feed last October and November were a function of fewer light weight cattle grazing wheat pasture. USDA estimated the number of calves grazing small grain pasture in Kansas, Oklahoma, and Texas was 1.75 million head, two-thirds of the number of feeder cattle grazing last year. As a result, the typically large run of feeder cattle leaving wheat pasture in March will be much smaller this year. Further, some cattle are already being pulled off of wheat pasture as a result of dry conditions and escalating wheat prices.

The Markets

The fed cattle market ended last week steady to lower. Dressed prices in Nebraska were down about \$1 last week and averaged \$143.64. Live cattle prices in Kansas averaged \$0.61/cwt less for the week. Choice boxed beef averaged \$0.56/cwt lower while the spread between Choice and Select narrowed \$0.66/cwt. Corn prices, basis Omaha, NE, were \$0.15/bu higher last Thursday compared with the previous week, but DDG prices were down \$2.50/ton. Despite higher corn prices last week, feeder cattle prices were mostly higher last week. Calf and yearling prices were about \$2/cwt higher in Kansas. Nebraska calf prices averaged \$1.68/cwt higher for the week, while yearling steer prices recovered \$3.57/cwt following a sharply lower market for the past several weeks.

	Week of 2/1/08	Week of 01/25/08	Week of 02/02/07
Kansas Fed Steer Price, live weight	\$89.89	\$90.50	\$88.53
Nebraska Fed Steer Price, dressed weight	\$143.64	\$144.71	\$137.87
700-800 lb. Feeder Steer Price, KS 3 market average	\$100.91	\$98.83	\$94.12
500-600 lb. Feeder Steer Price, KS 3 market average	\$118.74	\$116.38	\$114.89
700-800 lb. Feeder Steer Price, NE 7 market average	\$103.50	\$99.93	\$95.99
500-600 lb. Feeder Steer Price, NE 7 market average	\$123.51	\$121.83	\$112.34
Choice Boxed Beef Price, 600-900 lb. carcass	\$143.44	\$144.00	\$143.06
Choice-Select Spread, 600-900 lb. carcass	\$6.04	\$6.70	\$8.15
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$4.76	\$4.61	\$3.72
DDG Wholesale Price, Iowa, \$/ton	\$177.50	\$180.00	\$127.50