

## In The Cattle Markets

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### Smaller Placements of Cattle On Feed Than Expected

USDA released its monthly *Cattle on Feed* report last Friday, indicating that the February 1 inventory of cattle on feed was 11.97 million head, about 2% larger than a year earlier. Marketings during January were up 0.9% compared to January 2007 and gross placements of cattle on feed were 6% larger than a year earlier.

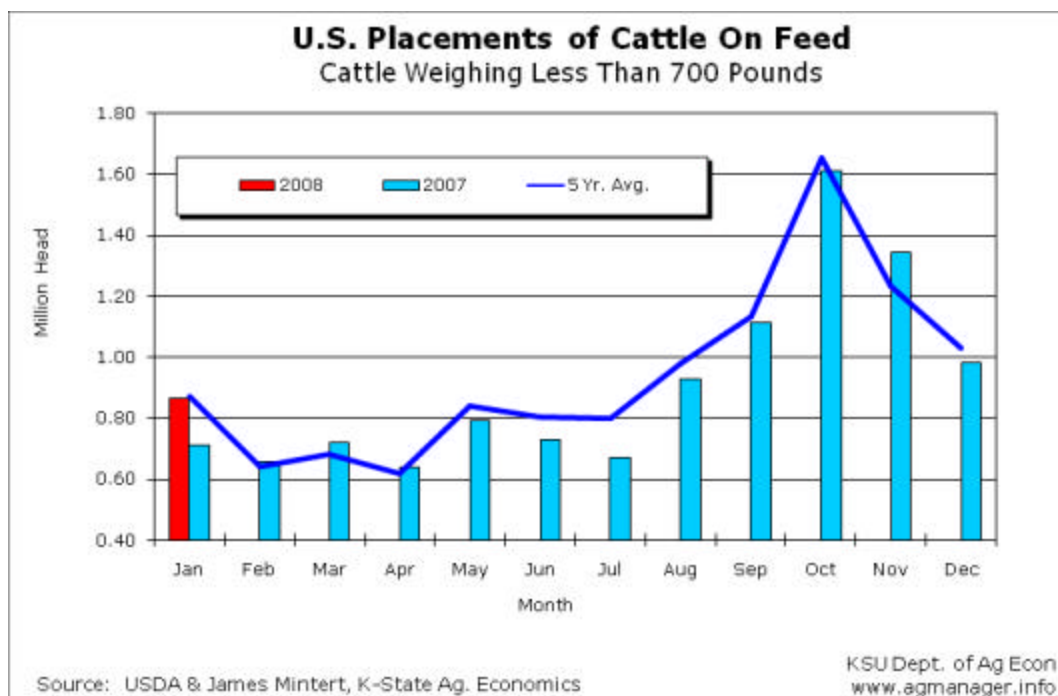
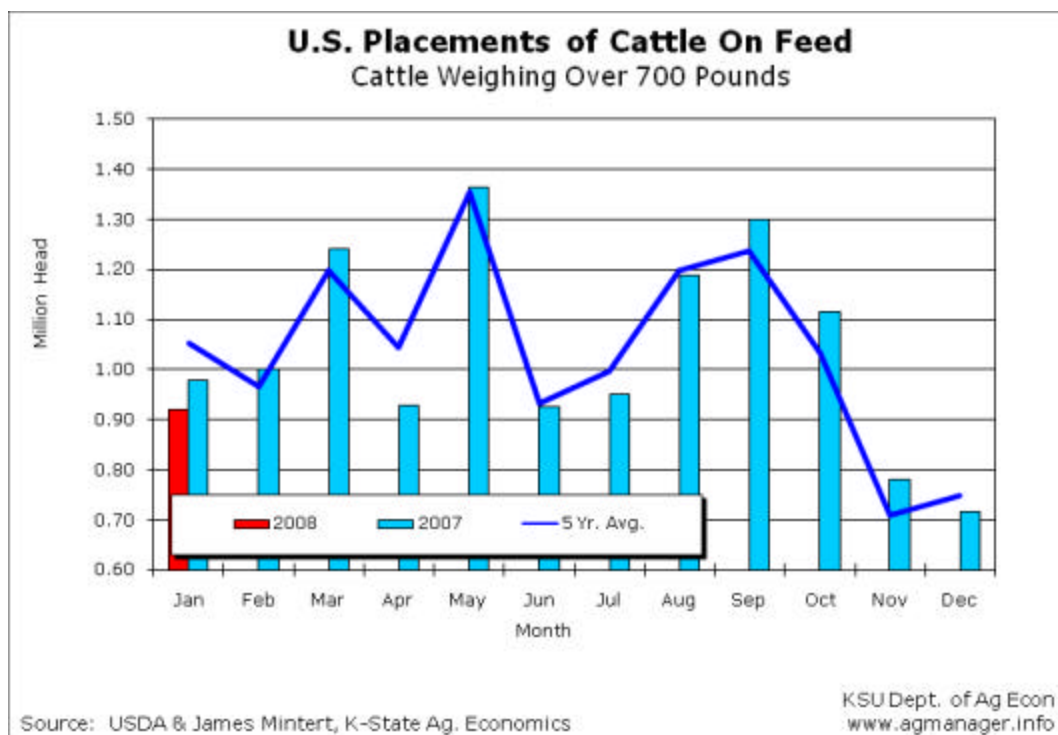
The biggest surprise on the report was the estimate of January placements on feed. Prior to the report's release, the average trade estimate was for a 9.5% increase in placements during January 2008 compared to January 2007. The smaller than expected increase appears to be primarily attributable to a year-to-year decline in heavy-weight placements. For example, during January placements of cattle weighing over 700 pound actually declined 6% compared to last year and were 24% below the January 2006 total. In contrast, placements of cattle weighing less than 700 pounds increased 22% compared to January 2007 and were just 11% smaller than two years ago.

The increase in placements of light-weight cattle on feed reflects the sharp decline in cattle on wheat pasture this year. USDA previously reported that, on January 1, there were 1.75 million head of cattle on small grain pastures in the Southern Plains, 850,000 head less than a year ago. Looking at the placement data of the last four months (see table below), it appears that many of the light weight cattle that would have normally been placed on wheat pasture were instead placed on feed in a feedlot. This shift in the placement pattern could boost supplies of market ready cattle in late spring and summer, but restrict the supply of fed cattle ready for market this fall and winter.

### U.S. Placements of Cattle On Feed, By Weight

Oct. 2007 - Jan. 2008 vs. Oct. 2006 - Jan. 2007

| Weight Group       | % Change<br>From Prior Year | # Head Change<br>From Prior Year |
|--------------------|-----------------------------|----------------------------------|
| Less Than 600 Lbs. | 11.2%                       | 245,000                          |
| 600-699 Lbs.       | 13.0%                       | 273,000                          |
| 700-800 Lbs.       | 3.6%                        | 66,000                           |
| 800-900 Lbs.       | 2.3%                        | 36,000                           |
| Less Than 700 Lbs. | 10.2%                       | 518,000                          |
| Over 700 Lbs.      | 2.6%                        | 102,000                          |
| Total              | 8.0%                        | 620,000                          |



## The Markets

Slaughter cattle prices in Kansas and Nebraska increased modestly during the week ending 2.22.07, averaging \$91.89/cwt. in Kansas and \$145.69/cwt. in Nebraska. Choice boxed beef prices declined last week, averaging \$149.39/cwt. compared to \$151.14/cwt. a week earlier. The Choice-Select price spread narrowed again to \$2.28/cwt., the lowest it has been since July 2004. Corn prices increased \$0.19/bu. last week to \$5.06/bu. in Omaha. Despite that, most feeder cattle

prices strengthened again. In particular, prices for 500-600 pound steers in Nebraska and Kansas strengthened over \$3/cwt., leaving light weight steer prices well ahead of last year's level.

| <b>Cattle or Meat Category</b>                      | <b>Week of<br/>2/22/08</b> | <b>Week of<br/>2/15/08</b> | <b>Week of<br/>2/23/07</b> |
|---|----------------------------|----------------------------|----------------------------|
| Kansas Fed Steer Price, live weight                 | \$91.89                    | \$91.21                    | \$90.80                    |
| Nebraska Fed Steer Price, dressed weight            | \$145.70                   | \$145.39                   | \$145.09                   |
| 700-800 lb. Feeder Steer Price, KS 3 market average | \$104.84                   | \$105.11                   | \$99.19                    |
| 500-600 lb. Feeder Steer Price, KS 3 market average | \$128.33                   | \$124.99                   | \$122.19                   |
| 700-800 lb. Feeder Steer Price, NE 7 market average | \$106.27                   | \$104.77                   | \$98.78                    |
| 500-600 lb. Feeder Steer Price, NE 7 market average | \$131.75                   | \$128.05                   | \$119.21                   |
| Choice Boxed Beef Price, 600-900 lb. carcass        | \$149.39                   | \$151.04                   | \$152.25                   |
| Choice-Select Spread, 600-900 lb. carcass           | \$2.28                     | \$3.58                     | \$6.95                     |
| Corn Price, Omaha, NE, \$/bu (Thursday quote)       | \$5.06                     | \$4.85                     | \$4.15                     |
| DDG Wholesale Price, Iowa, \$/ton                   | \$160.00                   | \$167.50                   | \$126.00                   |