

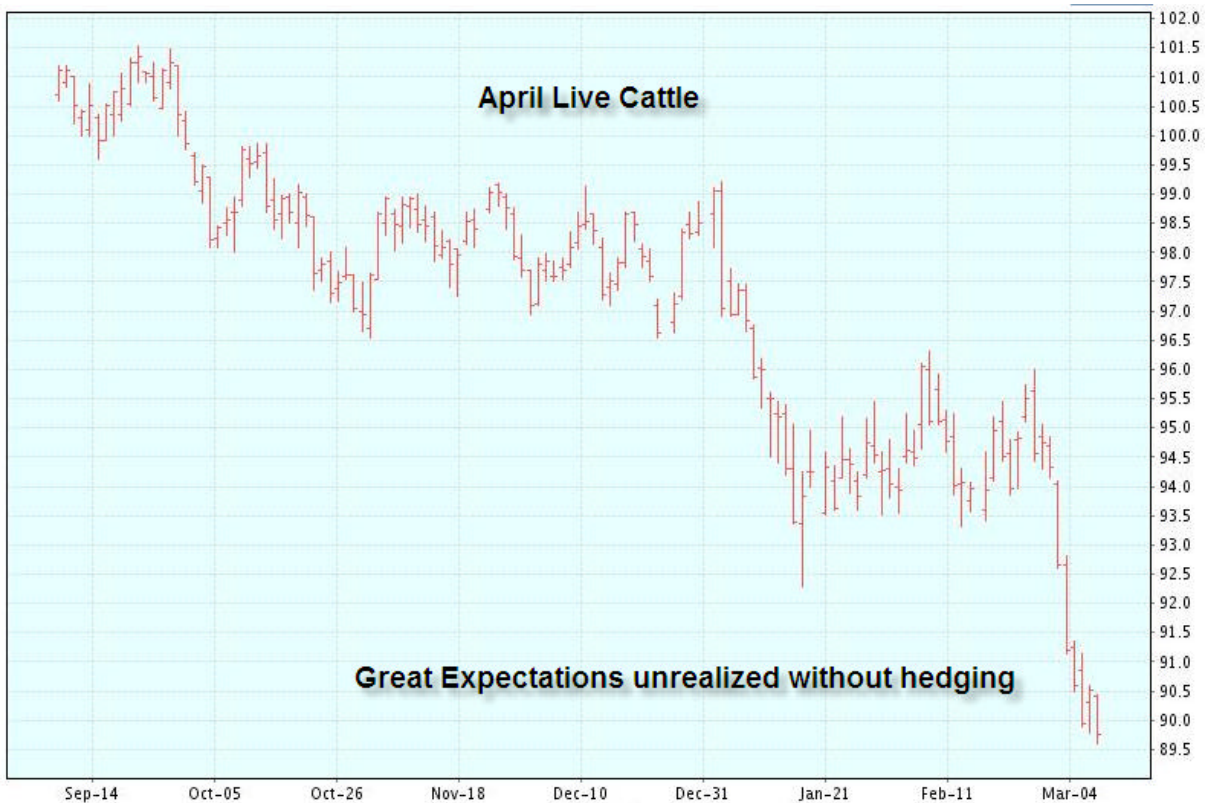
## In The Cattle Markets

Dillon Feuz, Ph.D.

Professor, Department of Economics, Utah State University

### Great Expectations

In Charles Dickens' classic novel Great Expectations the main character, Pip, continues to have his great expectations dashed by real world experiences. Perhaps he should have been a cattle feeder rather than striving to be a gentleman and he could have learned the same lesson. In August and September of this past year, when yearlings were being placed on feed to be harvested in January and February, the Feb Live Cattle board was trading around \$99/cwt. Yearling prices reflected these great expectations for the fed market. Throughout the fall of 2007 the Apr Live Cattle board traded around \$100/cwt. Again, fall calf and yearling prices reflected those great expectations. Those expectations have not been met. The Feb Live Cattle board traded in the \$91-92 range for most of January and February of this year. That decrease of \$7-8 in fed cattle price cost feeders \$90-100 per head. Similarly, the Apr Live cattle contract has now lost \$10/cwt. and is currently around \$90/cwt. Again, that decrease is costing feeders over \$120 per head in expected returns. When you factor in the great expectations of the corn farmers that are being exceeded with over \$5 per bushel corn, it is easy to see why feedlots are losing over \$100 per head on many current closeouts and have been losing money in 2008.



How realistic are the great expectations for summer and fall live cattle contracts which are trading in the upper \$90 range and even over \$100/cwt on Oct and Dec Live Cattle? I can't answer that question. However, I can suggest that if you are buying feeder cattle to place against those fed cattle contracts, I would hedge in those contracts if you want to insure that those great expectations are met.

### The Markets

Slaughter cattle prices were \$3.00 lower in the south with moderate trade and prices were \$3-4 lower in the north with moderate trade. Prices were mostly \$90 in the south and mostly \$145 in the north. Choice boxed beef prices were a little stronger this week compared to last week. The Choice-Select spread increased last week but remains historically narrow. Feeder cattle prices were lower in Kansas and in Nebraska this past week. Prices were generally \$1-5 lower across market classes. Corn prices were up \$.11 a bushel at Omaha and the Dried Distillers Grains were \$1.50 per ton higher for the week.

<b>Cattle or Meat Category</b>	<b>Week of 3/7/08</b>	<b>Week of 02/29/08</b>	<b>Week of 03/09/07</b>
Kansas Fed Steer Price, live weight	\$90.13	\$93.08	\$98.29
Nebraska Fed Steer Price, dressed weight	\$144.98	\$148.38	\$155.36
700-800 lb. Feeder Steer Price, KS 3 market average	\$100.39	\$105.31	\$105.94
500-600 lb. Feeder Steer Price, KS 3 market average	\$124.64	\$127.09	\$127.68
700-800 lb. Feeder Steer Price, NE 7 market average	\$102.92	\$103.59	\$107.46
500-600 lb. Feeder Steer Price, NE 7 market average	\$126.49	\$129.81	\$127.63
Choice Boxed Beef Price, 600-900 lb. carcass	\$150.04	\$149.41	\$155.70
Choice-Select Spread, 600-900 lb. carcass	\$3.00	\$2.74	\$8.22
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$5.35	\$5.24	\$3.94
DDG Wholesale Price, Iowa, \$/ton	\$160.00	\$158.50	\$132.50