

In The Cattle Markets

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High Priced Corn Making Times Tough for Cattle Feeders

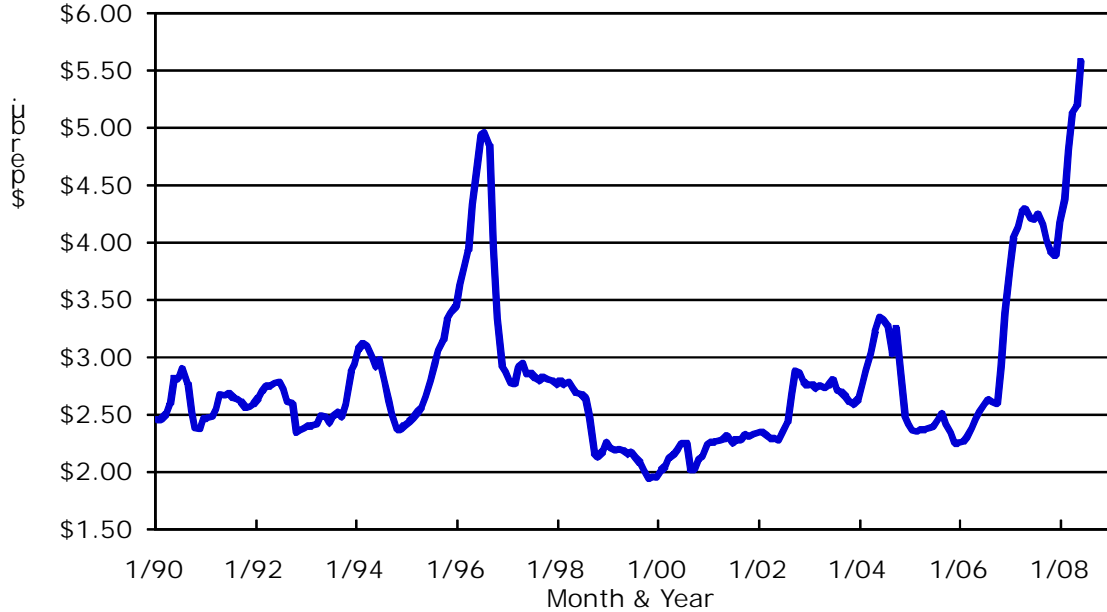
Corn prices paid by cattle feeders have increased to record highs in recent months, surpassing the peak prices paid by feeders back in 1996. The graph below provides an illustration of corn prices paid by Kansas cattle feeders since 1990, as reported by a small group of commercial cattle feeders in a monthly survey conducted by K-State's Department of Animal Sciences and Industry. In 1996 corn prices paid by Kansas cattle feeders were over \$4.00 per bushel for five months, and actually neared \$5.00 per bushel for three months in the late spring and summer of that year. More recently, corn prices paid by Kansas feeders climbed above \$4.00 per bushel in January 2007 and have been above \$4.00 every month since, except for a brief decline in November 2007. Corn prices exceeded the records established in 1996 in March 2008 when prices paid exceeded \$5.00 per bushel for the first time. Kansas cattle feeders have now been facing corn prices above \$5.00 per bushel for three straight months as the May average climbed all the way to \$5.57 per bushel. And the possibility of \$6.00 corn looms large as weather problems continue to plague the 2008 corn crop.

The run-up in corn prices has pushed feeding cost of gains to unprecedented levels. In 1996 steers closed out in the late summer and early fall had feeding cost of gains above \$70/cwt. for about three months. In contrast, steer feeding cost of gains reported by Kansas feedyards climbed above \$80 per cwt. for cattle closed out in April 2008 and Kansas' cattle feeders cost of gain projections indicate that feeding costs of gain for steers marketed in late summer and early fall are expected to average in the low \$90's. The dramatic rise in feeding costs has been a major reason why estimated average cattle feeding losses in 2008 have been record large.

And the picture does not look much brighter for the foreseeable future. Steers placed on feed at recent feeder prices, current feed costs, and hedged at current live cattle futures prices, have projected losses of over \$50 per head. At some point the large losses being incurred in the feeding sector are likely to put some downward pressure on feeder prices as cattle feeders attempt to compensate for extraordinarily high feeding costs.

Corn Prices Paid by Kansas Feedyards

Mid-Month Average, January 1990 - May 2008

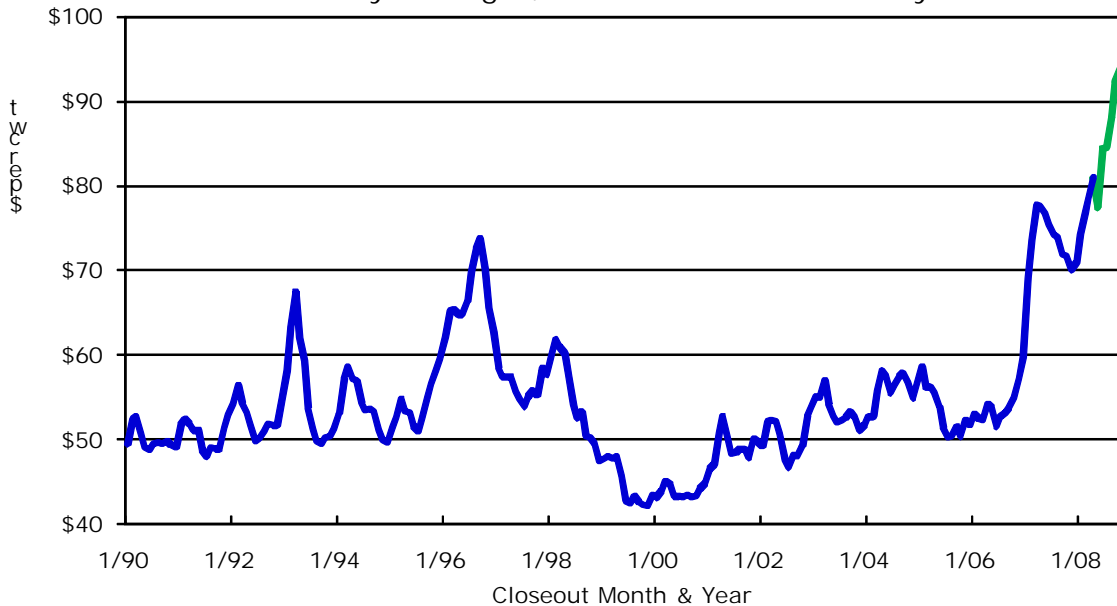


Source: Kansas State University's *Focus On Feedlots* newsletter, monthly survey of 6-10 Kansas commercial feedyards.

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Steer Feeding Cost of Gain

Monthly Averages, Kansas Commercial Feedyards



Source: Kansas State University's *Focus On Feedlots* newsletter, monthly survey of 6-10 Kansas commercial feedyards. Projected costs of gain for May through October 2008 are in green.

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The Markets

Slaughter cattle prices in Kansas the week ending 5/30/08 strengthened nearly \$1/cwt. from a week earlier, whereas dressed weight prices in Nebraska didn't change. Choice boxed beef

prices continue to trade in the mid-\$150s. The Choice-Select spread last week actually weakened, counter seasonally, dipping back to \$3.57/cwt. Feeder cattle trade volume in both Nebraska and Kansas was light last week. Light weight steers did strengthen moderately on very limited volume.

	Week of 5/30/08	Week of 05/23/08	Week of 06/01/07
Kansas Fed Steer Price, live weight	\$94.74	\$93.90	\$92.98
Nebraska Fed Steer Price, dressed weight	\$149.79	\$149.08	\$147.36
700-800 lb. Feeder Steer Price, KS 3 market average	--	\$111.20	\$111.79
500-600 lb. Feeder Steer Price, KS 3 market average	\$124.23	\$123.06	--
700-800 lb. Feeder Steer Price, NE 7 market average	--	\$111.85	--
500-600 lb. Feeder Steer Price, NE 7 market average	--	\$122.63	--
Choice Boxed Beef Price, 600-900 lb. carcass	\$155.98	\$156.32	\$156.07
Choice-Select Spread, 600-900 lb. carcass	\$3.57	\$3.74	\$9.28
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$5.45	\$5.59	\$3.81
DDG Wholesale Price, Iowa, \$/ton	\$175.00	\$175.00	\$100.50