

## **In The Cattle Markets**

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### **Calf Prices**

Let's look at the markets and try and figure a few things out. Cattle feeders have lost \$50, \$100, even \$150 per head on most pens sold this year. They are rioting in the streets in South Korea because the public is afraid of US beef and their elected officials have agreed to open up their markets to US beef. Omaha corn prices are now over \$6 per bushel and Dec Corn Futures are over \$7 per bushel as concerns grow for this year's crop that doesn't. With all that bad news, the outlook for fall calf prices must be disastrous.

Fall feeder cattle futures contracts have declined about \$5 off from their peaks of a couple of weeks ago, but are still trading relatively high for the conditions described above. A recent Superior Livestock Video auction had prices for calves for fall delivery only a couple of dollars back from sale prices last year at this time. So, how is it possible that calf and feeder prices are only off a few dollars when it would seem that any one of the three above mentioned items should lower the market that much? I have two answers: a relatively tight supply of calves and feeders and an extremely optimistic fed cattle board.

Cattle feeding capacity and cattle slaughter capacity in the US are currently greater than the supply of calves and feeders. Given the skyrocketing cost of feed and fuel, I have not heard of any producers in cow-calf country that are planning on expanding anytime soon. Fundamentally, calf prices should be relatively high, but that relatively high must be considered within the context of feed prices and fed cattle prices. Feed prices alone should be exerting a great deal of downward price pressure on calf prices. Therefore, there must be an offsetting upward price pressure on calf prices to maintain them at current levels. That is coming in the form of optimism about future fed cattle prices. Present fed cattle price are \$94 per cwt. Based on Oct. Live Cattle futures, cash prices are expected to be over \$104 by fall and by early next spring the CME board would be projecting fed cattle prices close to \$110 per cwt.

I don't want to be on record as saying those fed cattle prices can't be attained. They can. However, I think there is much more downside risk potential in that market than there is upside potential. When those conditions hold, it is generally a good idea to take some form of price protection. For example, if the Apr Live Cattle board declined by only \$5 per cwt., calf prices would likely fall by \$10-12 per cwt. I have been concern that this year's calf prices may follow the last two years' pattern and may end up being much lower in the fall than what was expected in the summer.

### **The Markets**

Slaughter cattle prices were lower in the south with active trade on Tuesday and prices were lower in the north with active trade mid week. Prices were mostly \$94 in the south and

were \$148 in the north. Choice boxed beef prices were higher this week compared to last week. The Choice-Select spread increased last week but still remains historically narrow. Feeder cattle prices were not reported in Kansas and were generally higher in Nebraska this past week. Prices for 5-weight steers in Nebraska were more than \$8 higher for the week. Corn prices were up \$.66 a bushel at Omaha, and the Dried Distillers Grains were steady at \$175 per ton for the week.

<b>Cattle or Meat Category</b>	<b>Week of 6/6/08</b>	<b>Week of 05/30/08</b>	<b>Week of 06/08/07</b>
Kansas Fed Steer Price, live weight	\$93.81	\$94.74	\$91.01
Nebraska Fed Steer Price, dressed weight	\$148.07	\$149.79	\$144.38
700-800 lb. Feeder Steer Price, KS 3 market average	\$113.23	\$112.65	\$109.12
500-600 lb. Feeder Steer Price, KS 3 market average	--	\$124.23	\$119.90
700-800 lb. Feeder Steer Price, NE 7 market average	\$114.74	--	\$123.95
500-600 lb. Feeder Steer Price, NE 7 market average	\$125.86	\$117.50	\$132.25
Choice Boxed Beef Price, 600-900 lb. carcass	\$156.90	\$155.98	\$152.72
Choice-Select Spread, 600-900 lb. carcass	\$4.08	\$3.57	\$8.12
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$6.11	\$5.45	\$3.81
DDG Wholesale Price, Iowa, \$/ton	\$175.00	\$175.00	\$97.50