

## **In The Cattle Markets**

**Darrell R. Mark, Ph.D., Assoc. Professor**

**Department of Agricultural Economics, University of Nebraska–Lincoln**

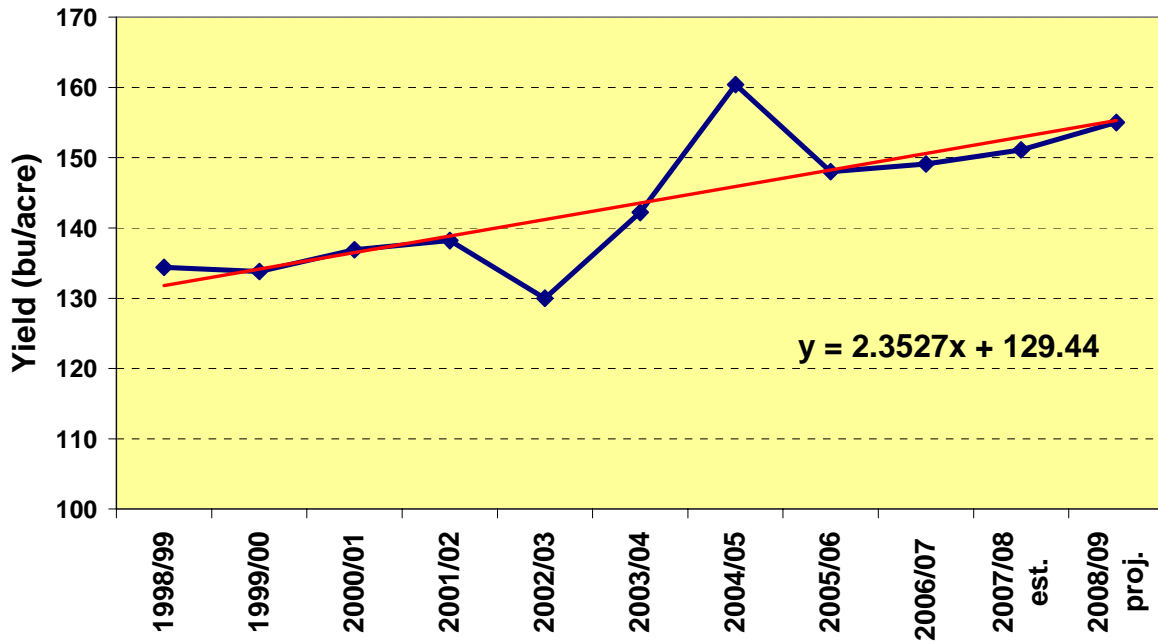
### **More Corn For Livestock & Ethanol**

USDA released its first survey-based yield estimate for corn this Tuesday morning. Based on improved growing conditions in the last month, USDA projects 2008/09 yield at 155.0 bu/a, up 6.6 bu/a from its July estimate. This projection is at the high end of the trade's pre-release estimates and more than 2 bu/a higher than the average trade estimate. USDA's yield forecast reflects the dramatic improvement in corn crop condition in the last month, with 67% of the crop rated good to excellent, compared to 56% at the same time last year. Interestingly, USDA adjusted planted and harvested acreage as well this month. While planted acreage was reduced by 300,000 acres to 87.0 million acres, harvested acreage was increased by 400,000 acres. So, USDA now projects about 1% less acreage abandonment despite the significant weather problems earlier this growing season. With increased acreage and yield, 2008/09 production is projected 573 million bushels higher this month at 12.288 billion bushels. This will be construed as a bearish number by the trade as the average pre-release estimate called for less than 12 billion bushels.

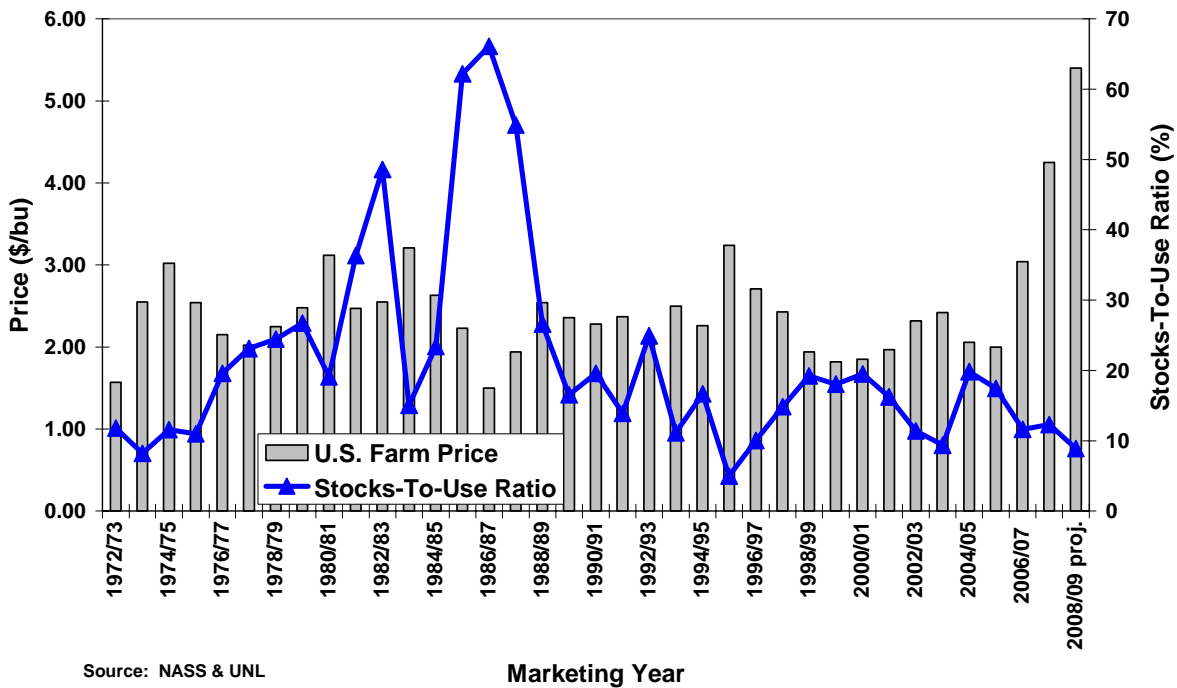
As a result of larger expected supplies, forecasted demand from livestock feeders and ethanol producers is projected 100 million bushels and 150 million bushels higher, respectively. So, total use for the 2008/09 marketing year grew by 250 million bushels to 12.745 billion bushels. Because the increased production exceeded the growth in use, 2008/09 carryout was increased by 300 million bushels. At 1.133 billion bushels, carryout is well above the average pre-release estimate. The ending stocks to use ratio is now projected to be 8.89%, up from 6.66% last month. While still well below this last year's stocks to use ratio of 12.3%, 2008/09 is still projected to have the tightest supply/demand balance since 1994/95.

Based on the reported production numbers and carryout, corn futures opened about \$0.08/bu lower on Tuesday morning. Livestock feeders and other corn buyers found some welcomed news in the report as USDA lowered its marketing year price forecast by \$0.60/bu. While these forecasts provide support for lower prices, it is important, though, to remember that the corn crop is more susceptible to early frost this year. Corn crop progress is clearly lagging behind normal yet. As of August 10, 93% of the corn crop was silking, compared to 98% last year and 96% on average. Only 30% of the crop was in dough stage, compared to 59% last year and 50% on average. So, livestock feeders should continue to watch the corn market carefully for signs of a potential bottom.

# U.S. Average Corn Yield



# U.S. Corn Stocks-To-Use and Price



Source: NASS & UNL

Marketing Year

## The Markets

The fed cattle market traded last Friday at prices \$4-5/cwt higher on a dressed basis and \$2-3/cwt higher on a live weight basis. Nebraska dressed prices averaged \$158.73/cwt last week, 3% higher than the previous week and 11% higher than a year ago. For the week, Choice boxed beef averaged \$160.94, \$2.10 higher than the previous week and more than \$16 higher than last year. The spread between Choice and Select narrowed to average \$6.55 last week. Feeder cattle prices were \$1-2/cwt higher in Kansas last week. Yearling feeder steers averaged \$2.63/cwt higher in Nebraska last week, while steer calf prices jumped by more than \$10/cwt. The strength in the feeder cattle market was prompted by further weakness in the feed grains markets. Through Thursday last week, corn prices in Omaha had dropped \$0.62/bu and dried distillers grains price was \$10/ton lower in Iowa.

	<b>Week of 8/8/08</b>	<b>Week of 08/01/08</b>	<b>Week of 08/10/07</b>
Kansas Fed Steer Price, live weight	\$99.85	\$96.78	\$90.64
Nebraska Fed Steer Price, dressed weight	\$158.73	\$153.96	\$142.60
700-800 lb. Feeder Steer Price, KS 3 market average	\$116.68	\$115.57	\$118.77
500-600 lb. Feeder Steer Price, KS 3 market average	\$123.79	\$121.98	\$127.12
700-800 lb. Feeder Steer Price, NE 7 market average	\$119.59	\$116.96	\$118.94
500-600 lb. Feeder Steer Price, NE 7 market average	\$132.01	\$121.50	\$133.63
Choice Boxed Beef Price, 600-900 lb. carcass	\$160.94	\$158.84	\$144.53
Choice-Select Spread, 600-900 lb. carcass	\$6.55	\$6.90	\$5.35
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$4.87	\$5.49	\$3.19
DDG Wholesale Price, Iowa, \$/ton	\$165.00	\$175.00	\$92.50