

September 15, 2008

## **In The Cattle Markets**

**James Mintert, Ph.D.**

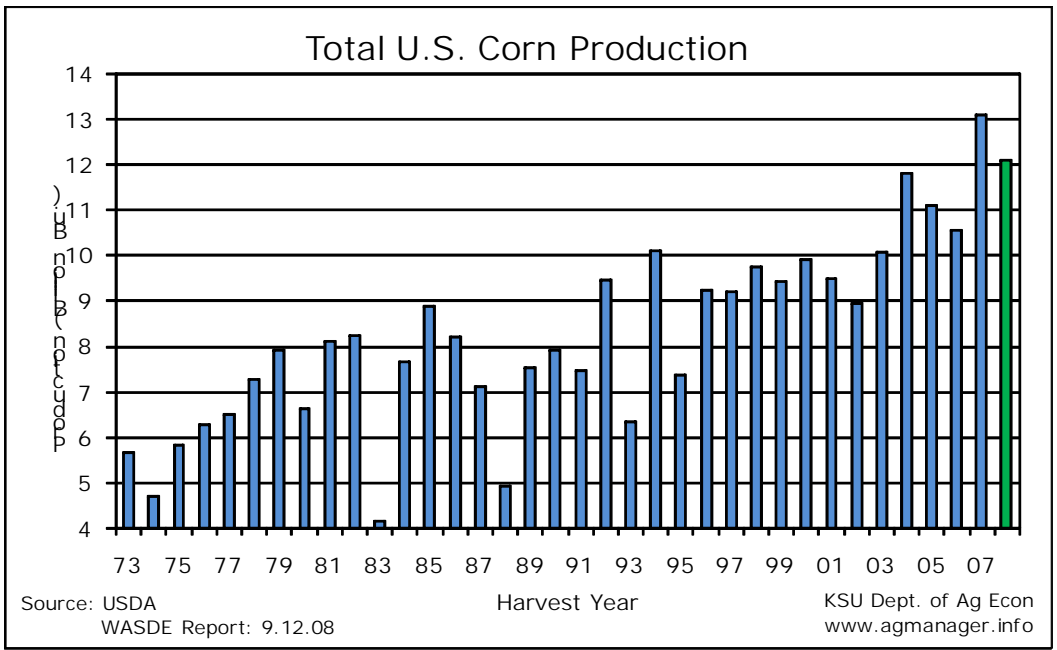
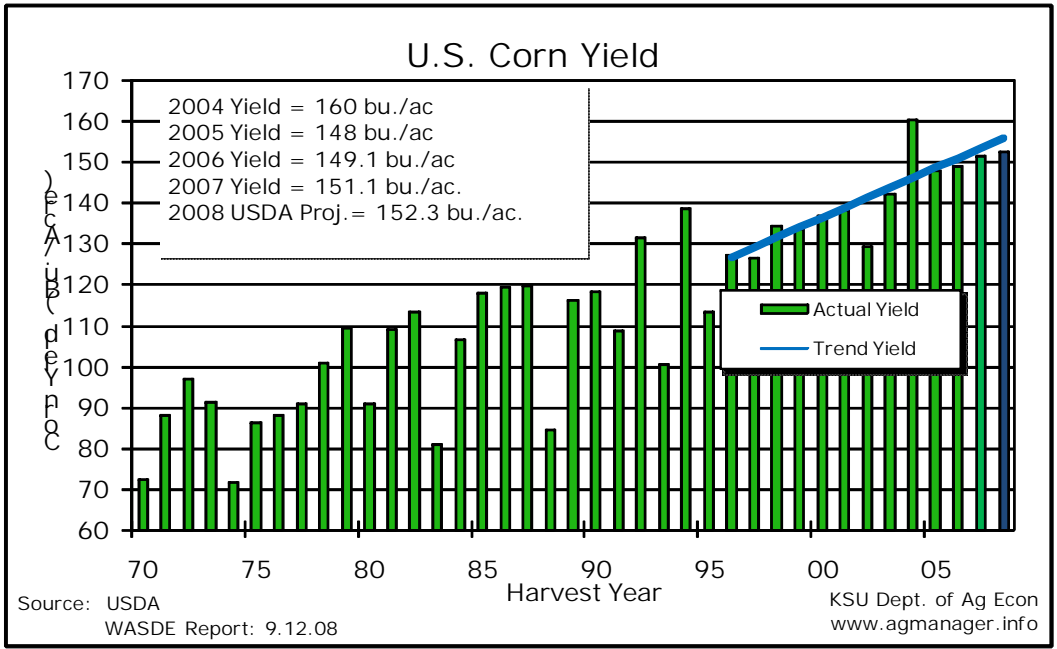
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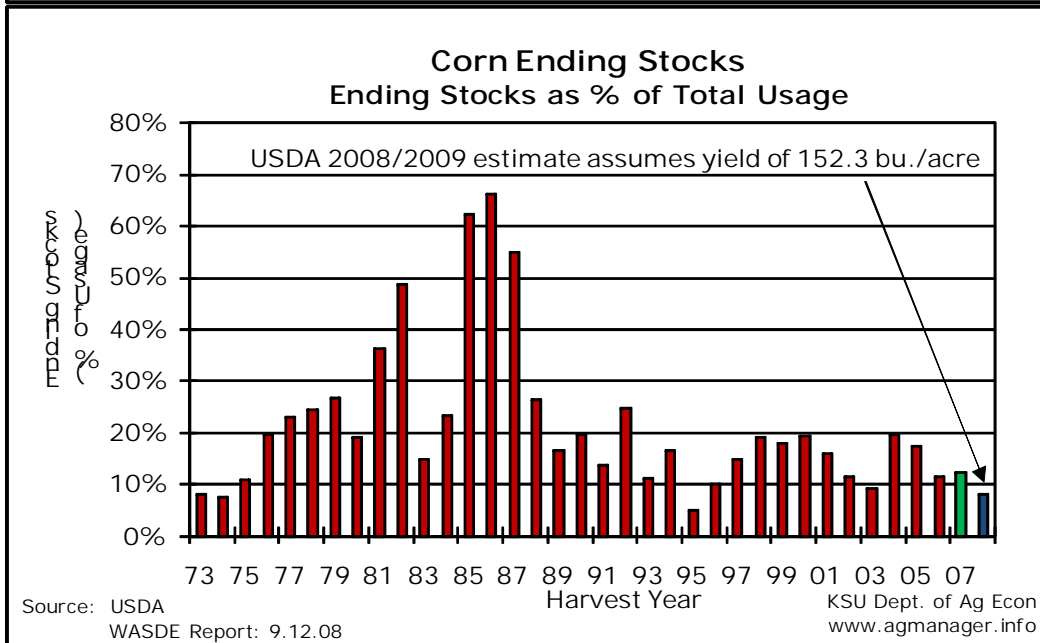
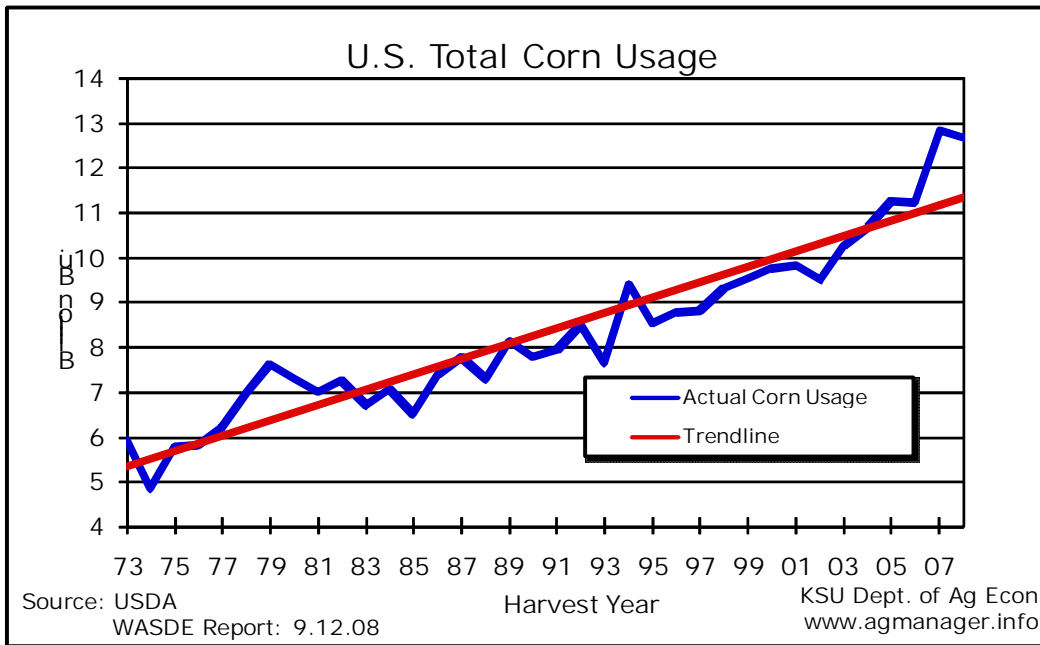
### **Crop report surprised trade**

USDA surprised the trade on Friday, September 12th with a larger than expected reduction in its estimate of the 2008 corn yield. USDA reduced its U.S. corn yield estimate to 152.3 bushels per acre, down almost 3 bushels per acre from the yield estimate released in August, which effectively reduced the 2008 corn production estimate by 220 million bushels (compared to USDA's August estimate) to 12.07 billion bushels. If the national average does wind up near the 152.3 bu. per acre projected by USDA, the 2008 corn crop will still be the second largest crop on record.

Despite the expected near record corn production estimates, corn ending stocks are expected to tighten compared to last year. The reason is corn usage during the 2008/2009 marketing year is expected to total 12.645 billion bushels, exceeding production by almost 600 million bushels. As a result, corn ending stocks at the end of the 2008 marketing year will be very tight by historical standards. Corn ending stocks in late summer 2009 before the start of the 2009 corn harvest are expected to dip down to about 1 billion bushels, a reduction of more than 500 million bushels compared to this year. Importantly, ending stocks are expected to total about 8% of total usage during the 2008/2009 marketing year which would be the tightest ending stocks, relative to usage, since the mid-1990s.

Attention is expected to remain focused on corn yields for a few more weeks, perhaps until harvest is well underway in October. However, once 2008 yields are confirmed attention will shift to a battle for acreage between corn and soybeans. Once that happens, it's possible that corn prices could move higher over the course of the winter and early spring. As a result, livestock producers should consider taking steps to aggressively manage their feed purchases for the rest of the fall, winter, and spring.





## The Markets

Slaughter cattle prices in Kansas held steady the week ending September 12<sup>th</sup> averaging about \$99/cwt. (live weight) whereas trade in Nebraska was weaker, declining to \$151.64/cwt. (dressed weight) on limited volume as some feedlots opted to hold cattle over to this week. Wholesale beef prices were steady as USDA's Choice boxed beef cutout averaged \$159.90/cwt., which was very near the prior week's average. The Choice-Select spread weakened moderately, dipping to a \$6.73 weekly average compared to \$7.03 a week earlier. Feeder cattle prices weakened moderately last week as 700-800 lb. steers in both Kansas and Nebraska declined modestly. Corn and DDG prices both weakened ahead of last Friday's USDA supply/demand report, but rebounded sharply on Friday after USDA reduced its estimate of the 2008 corn crop more than expected by the trade.

|   | <b>Week of<br/>9/12/08</b> | <b>Week of<br/>09/05/08</b> | <b>Week of<br/>09/14/07</b> |
|---|----------------------------|-----------------------------|-----------------------------|
| Kansas Fed Steer Price, live weight                 | \$98.65                    | \$98.84                     | \$93.03                     |
| Nebraska Fed Steer Price, dressed weight            | \$151.64                   | \$154.55                    | \$145.40                    |
| 700-800 lb. Feeder Steer Price, KS 3 market average | \$114.20                   | \$115.61                    | \$119.24                    |
| 500-600 lb. Feeder Steer Price, KS 3 market average | --                         | --                          | \$127.06                    |
| 700-800 lb. Feeder Steer Price, NE 7 market average | \$114.13                   | \$115.10                    | \$122.57                    |
| 500-600 lb. Feeder Steer Price, NE 7 market average | \$119.63                   | --                          | \$129.01                    |
| Choice Boxed Beef Price, 600-900 lb. carcass        | \$159.90                   | \$159.06                    | \$147.07                    |
| Choice-Select Spread, 600-900 lb. carcass           | \$6.73                     | \$7.03                      | \$7.20                      |
| Corn Price, Omaha, NE, \$/bu (Thursday quote)       | \$5.08                     | \$5.37                      | \$3.05                      |
| DDG Wholesale Price, Iowa, \$/ton                   | \$137.50                   | \$150.00                    | \$97.50                     |