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In The Cattle Markets

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When to Sell Your Calves

In the past month I have received phone calls and emails from several cow-calf producers who did not sell their calves this fall. Some were never really offered a price and some turned down what they considered to be a ridiculously low price that they were offered. I suspect there are others of you out there in the same situation. The question is, "when should I sell those calves?" I don't have a very clear crystal ball this year, so I am hesitant to give much advice. However, I think there are some signals in the market place that may be encouraging for those of you who still own calves. In the past 10 days the live cattle contracts at CME have generally increased \$5-7 for Apr, Jun and Aug. They are now back close to the level of mid November. Each of those contracts would need to gain another \$5 to get back to the level they were trading at for mid October. I think this is probably likely in the next few weeks. The Jan and Mar feeder cattle contracts have each gained about \$6 in the past three trading days. There is probably another \$5 upside potential in those contracts if the live cattle contracts also move higher. That would get the feeder cattle contracts back to where they were in mid October. Cash cattle prices should also increase.

Given where we are in the year and the Christmas season, there may not be many good sales until after the first of the year. Be patient. I suggest you contact your accountant and talk to them about how to handle your tax situation if you have traditionally sold calves in the fall and you will now sell them after the first of the year. You could end up with no sales in 2008 and two calf crops in 2009. There are legal ways to deal with this to avoid undue tax consequences. I am not sure you will make much money, if any, on these 2008 calves. However, it does appear that if you are patient for a few more weeks you may be able to get out from under them at least even with where you might have been in October. That isn't much, but that may be all you can get out of the market this year. I also think if the stock market will settle down and stop jumping or falling 400 point or more in a day, you will also see the commodities start to trade based more on fundamentals than on the fear that is currently gripping the markets. This should also be positive for feeder prices.

The Markets

The fed cattle market was lower again this past week with general economy pessimism still trumping cattle supply realities. Light trade took place at the end of the week in both the south and the north. Prices were \$83-84 in the south and were \$130-133 in the north. Choice boxed beef prices were down another \$5 this week. The Choice-Select spread was basically unchanged and remains a little below the historical level. Feeder cattle prices were mixed in Kansas and lower Nebraska compared to the previous week. Prices for 7-weight steers were \$1 higher in Kansas and about \$.50 lower in Nebraska. Prices for 5-weight steers were down \$2 in Kansas and in Nebraska compared to last week. Corn prices were 20 cents per bushel higher than the previous week. Dried Distillers Grains were \$4.50 per ton lower for the week.

Cattle or Meat Category	Week of 12/12/08	Week of 12/05/08	Week of 12/14/07
Kansas Fed Steer Price, live weight	\$83.89	\$85.95	\$93.05
Nebraska Fed Steer Price, dressed weight	\$132.05	\$136.66	\$145.50
700-800 lb. Feeder Steer Price, KS 3 market average	\$92.16	\$90.87	\$104.22
500-600 lb. Feeder Steer Price, KS 3 market average	\$101.19	\$103.23	\$114.68
700-800 lb. Feeder Steer Price, NE 7 market average	\$92.87	\$93.20	\$102.99
500-600 lb. Feeder Steer Price, NE 7 market average	\$103.21	\$105.13	\$121.13
Choice Boxed Beef Price, 600-900 lb. carcass	\$143.13	\$148.18	\$147.70
Choice-Select Spread, 600-900 lb. carcass	\$9.56	\$9.53	\$15.55
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$3.43	\$3.23	\$4.16
DDG Wholesale Price, Iowa, \$/ton	\$111.50	\$116.00	\$142.50