

In The Cattle Markets

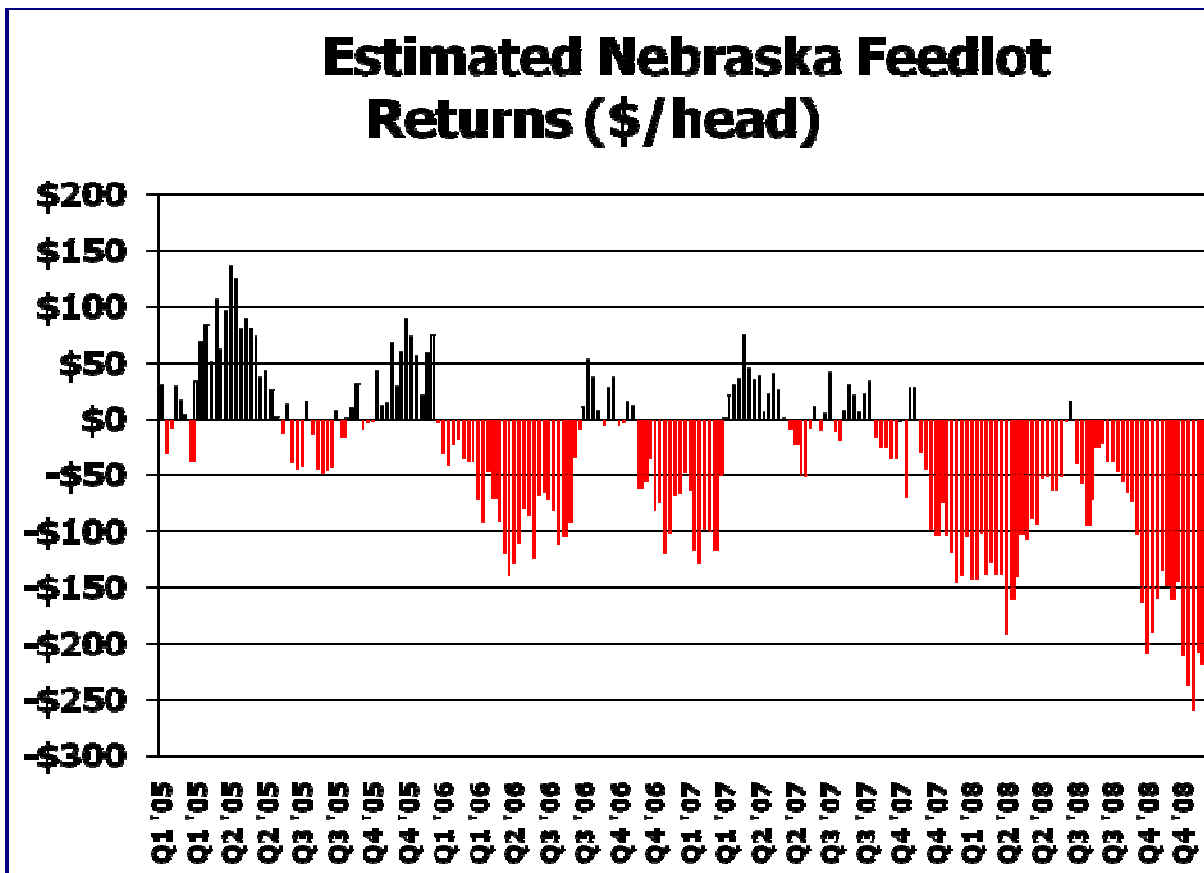
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Feedlot Profitability

That heading is clearly misleading; there is no profitability in feeding cattle. At least not in 2008 and now this year is not starting out much better. The graph below depicts Nebraska feedlot profitability on a weekly basis. It assumes that calves and yearlings are purchased at the average auction market price in Nebraska and that fed cattle are sold at the average live price in Nebraska. It also assumes that feedlots are buying corn on a regular basis and that no price protection is used on cattle or feed. That assumption probably fits many feedlots. In the past year, if feedlots had locked in the price of corn and feeders prior to placement, in some time frames they would have been even worse off, and at other times this would have been advantageous. However, for most of the past year, locking in fed cattle sales prior to actual delivery would have resulted in a higher price and improved returns. Of course hind sight is always 20:20 and I am not trying to tell you what you should have done.

The reality of the feeding industry is there is an excess capacity relative to the size of the cow herd and available supply of feeders. The result is that to obtain sufficient cattle to run the



feedlot at an economically optimal capacity, there is bidding pressure for a limited supply of feeders. It is painful to observe and more painful for those feedlots who have gone or who are going broke, but that is how capacity will come back in line with the available supply. Given the current environment of volatile feed and cattle prices and the still excess supply of feeding capacity it is likely that some feedlots will remain unprofitable this year and more will be forced to shut down.

The Markets

The fed cattle market was lower this past week with general economy pessimism still trumping cattle supply realities. Trade took place mostly on Thursday this week in the south and the north. Prices were \$83-84 in the south and were \$133-134 in the north. Choice boxed beef prices were up about \$1 this week. The Choice-Select spread was basically unchanged and remains a little below the historical level. Feeder cattle prices were higher in Kansas and higher Nebraska compared to the previous week. Prices for 7-weight steers were \$2 higher in Kansas and in Nebraska. Prices for 5-weight steers were up \$2 in Kansas and were up \$9 in Nebraska compared to last week. Corn prices were steady compared to the previous week. Dried Distillers Grains were \$1 per ton higher for the week.

Cattle or Meat Category	Week of 1/9/09	Week of 01/02/09	Week of 01/11/08
Kansas Fed Steer Price, live weight	\$83.74	\$85.82	\$91.34
Nebraska Fed Steer Price, dressed weight	\$133.89	\$137.67	\$147.36
700-800 lb. Feeder Steer Price, KS 3 market average	\$97.74	\$95.23	\$100.19
500-600 lb. Feeder Steer Price, KS 3 market average	\$110.32	\$98.55	\$113.70
700-800 lb. Feeder Steer Price, NE 7 market average	\$98.65	\$96.63	\$100.04
500-600 lb. Feeder Steer Price, NE 7 market average	\$113.25	\$104.01	\$119.11
Choice Boxed Beef Price, 600-900 lb. carcass	\$144.50	\$143.49	\$149.24
Choice-Select Spread, 600-900 lb. carcass	\$7.97	\$7.94	\$10.30
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$3.91	\$3.92	\$4.54
DDG Wholesale Price, Iowa, \$/ton	\$127.50	\$126.50	\$171.50