

In The Cattle Markets

Dillon Feuz, Ph.D.

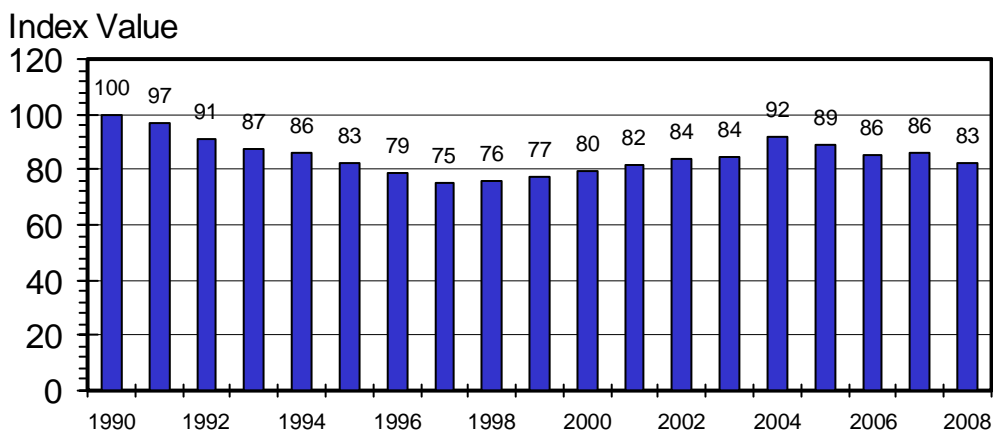
Professor, Department of Economics, Utah State University

Beef Demand

Based on the recently released USDA Cattle Inventory report that showed a declining beef cattle inventory and the last several months Cattle on Feed reports that have shown declining placements and declining numbers of cattle on feed, one would expect that we would be enjoying very favorable cattle and beef prices. We are not. The main reason we are not is Beef Demand. The general price level in the market place is determined by both supply and demand forces. While declining supplies would lead to higher prices if beef demand were stable, beef demand has not been stable. Beef demand decreased about 3.5 percent this last year relative to the prior year. On the other hand, even though we have a smaller cattle inventory and reduced numbers of cattle on feed, beef supply was actually larger last year due to heavier carcass weights and an increased beef cow slaughter. With beef demand declining throughout 2008 and a beef supply that was larger, prices for cattle were lower than a year ago. Looking forward, because of continued problems in the general economy, beef demand is not expected to strengthen and will likely decline, at least in the first half of the year relative to the first half of 2008. That will continue to weigh down on cattle prices. Beef supply is expected to be reduced this year, and that should help support cattle prices. There may be times throughout the year when supply is tight enough to generate nice price rallies. These are likely to be short lived, as overall demand gloom will keep the markets defensive for most of the year.

RETAIL ALL FRESH BEEF DEMAND INDEX

Annual, Using CPI 1990=100



The Markets

The fed cattle market gained back a little ground this past week as moderate fed cattle trade occurred at higher prices. Trade took place mostly on Thursday and Friday this week in the south and the north. Prices were mostly \$83 in the south and were \$131 in the north. Choice boxed beef prices declined again this week, losing \$5.50. The Choice-Select spread continues to narrow and remains below the historical level. Feeder cattle prices were higher in Kansas and mixed in Nebraska compared to the previous week. Prices for 7-weight steers were about \$2 higher in Kansas and in Nebraska. Prices for 5-weight steers were steady to a little higher in Kansas and were about \$1 lower in Nebraska compared to last week. Corn prices were a little lower compared to the previous week. Dried Distillers Grains were \$1.50 per ton higher for the week.

Cattle or Meat Category	Week of 2/6/09	Week of 01/30/09	Week of 02/08/08
Kansas Fed Steer Price, live weight	\$82.79	\$80.14	\$91.90
Nebraska Fed Steer Price, dressed weight	\$131.06	\$129.64	\$147.43
700-800 lb. Feeder Steer Price, KS 3 market average	94.64	\$92.94	\$104.13
500-600 lb. Feeder Steer Price, KS 3 market average	113.16	\$112.94	\$118.83
700-800 lb. Feeder Steer Price, NE 7 market average	96.75	\$94.50	\$104.46
500-600 lb. Feeder Steer Price, NE 7 market average	115.16	\$116.26	\$127.15
Choice Boxed Beef Price, 600-900 lb. carcass	\$139.72	\$145.47	\$148.57
Choice-Select Spread, 600-900 lb. carcass	\$3.37	\$4.36	\$5.47
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$3.60	\$3.68	\$4.72
DDG Wholesale Price, Iowa, \$/ton	\$129.00	\$127.50	\$172.50