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In The Cattle Markets

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Cattle on Feed Down 5%

Last Friday, USDA released its monthly Cattle on Feed report showing the total number of cattle in feedyards with more than 1,000 head capacities was 11.2 million head. At a 5.3% decline from last year, that is slightly more than the average pre-release estimate (-4.7%). Of the major cattle feeding states, Texas and Kansas saw smaller overall reductions in their cattle on feed inventories, with declines of 3.4% and 5.0%, respectively, while Nebraska and Iowa saw larger declines of 6.4% and 7.1%. Marketings of fed cattle during February totaled 1.682 million head. While this was 5.3% lower than last year and in line with trade expectations, February 2009 had one less slaughter day than February 2008. Thus, average daily fed cattle marketings last month were only fractionally lower than year-ago levels. So, marketings as a percentage of the cattle on feed inventory improved slightly.

Last month, cattle feeders placed 1.622 million head of cattle on feed, about 2.5% less than in February 2008 and nearly four percentage points less than the average of trade expectations. While the trend towards lower placements isn't new, the placement pattern last month did represent a departure from the last several months' trend towards placing more heavy cattle on feed and fewer calves. In February, feeders placed 8.4% fewer steers and heifers weighing more than 800 lbs. on feed. Placements of 600-800 lb. cattle were nearly steady and placement of calves weighing less than 600 lbs. was down 3%. Lower corn prices in February likely provided more incentive to put some lighter weight yearlings on feed. However, the overall trend observed in the past few years of placing a greater proportion of the calf crop on feed in the Northern Plains states of Nebraska, Iowa, and South Dakota versus the Southern Plains states of Texas, Oklahoma, and Kansas seems to continuing this winter.

Overall, last Friday's Cattle on Feed report is viewed bullishly with lighter than expected placements. Live cattle futures responded with \$0.50-0.80/cwt increases on Monday morning. The report should also lend support for stronger cash prices this week.

The Markets

Last Friday, the slaughter cattle market traded about \$2/cwt higher on a live weight basis and \$2-3/cwt higher on a dressed basis. For the week, Nebraska dressed steer price averaged \$132.76 while live prices in Kansas averaged \$82.90. Choice boxed beef prices averaged \$1.35/cwt lower last week, and the Choice-Select spread narrowed another \$0.42 to average \$0.42. Again last week, the market saw Select boxed beef priced higher than Choice. In the feeder cattle market last week in Nebraska, yearling steer prices were \$1-5 higher (averaging \$3.61/cwt higher) but calf prices were down about \$2/cwt. Both feeder steer calf and yearling

prices were higher in Kansas last week. The strength in the feeder cattle market came in spite of corn prices increasing by about a dime per bushel. Distillers grain prices, however, were about \$2.50/ton lower last week.

	Week of 3/20/09	Week of 03/13/09	Week of 03/21/08
Kansas Fed Steer Price, live weight	\$82.90	\$80.63	\$89.84
Nebraska Fed Steer Price, dressed weight	\$132.76	\$129.97	\$144.61
700-800 lb. Feeder Steer Price, KS 3 market average	\$94.84	\$93.45	\$100.88
500-600 lb. Feeder Steer Price, KS 3 market average	\$113.13	\$109.29	\$124.82
700-800 lb. Feeder Steer Price, NE 7 market average	\$98.07	\$94.46	\$103.82
500-600 lb. Feeder Steer Price, NE 7 market average	\$113.01	\$114.85	\$123.42
Choice Boxed Beef Price, 600-900 lb. carcass	\$134.35	\$135.69	\$141.98
Choice-Select Spread, 600-900 lb. carcass	\$0.42	\$0.83	\$1.42
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$3.85	\$3.77	\$4.73
DDG Wholesale Price, Iowa, \$/ton	\$120.00	\$122.50	\$162.50