

In The Cattle Markets

Darrell R. Mark, Ph.D., Assoc. Professor

Department of Agricultural Economics, University of Nebraska–Lincoln

Changes in “In the Cattle Markets”

For the past seven years, Dr. James Mintert, Dr. Dillon Feuz, and I have published “In the Cattle Markets” on a near-weekly basis. This month, Dr. Mintert will be leaving Kansas State University as Extension Livestock Marketing Specialist to take a position in extension administration at Purdue University. We thank Dr. Mintert for his contributions to this newsletter and the entire livestock industry over the years. His keen insight and understanding of the cattle and hog markets and unique ability to teach us all will be greatly missed, but we are excited to wish him the all the best in his new position at Purdue.

We are also pleased to have two highly respected livestock economists join our team that will continue to bring “In the Cattle Markets” to you each week. Next week, Mr. Tim Petry will write his first “In the Cattle Markets” article. [Mr. Petry](#) is Extension Livestock Marketing Economist at North Dakota State University in Fargo. The following week, [Dr. John Anderson](#), Extension Professor at Mississippi State University, will provide his comments and analysis in “In the Cattle Markets.” We look forward to the regional insights and perspectives they will each bring to this weekly forum on a rotating basis.

Along with the addition of Mr. Petry and Dr. Anderson, readers will note some changes to the price table at the end of this and future issues of “In the Cattle Markets.” Given the national focus of the newsletter, the 5-Area fed steer price will replace the Kansas live and Nebraska dressed slaughter cattle prices. Additionally, feeder cattle prices for 700-800 lb and 500-600 lb feeder cattle will be reported for Montana, Nebraska, and Oklahoma to provide additional national scope. Finally, both dry and wet distillers grains prices for Nebraska will be reported in the feed grains section.

The look of “In the Cattle Markets” will also change with the masthead at the top, and a new format for the electronic newsletter. Those that wish to receive the newsletter directly in their e-mail inbox may email Laura at laura@lmic.info to request addition to the listserv.

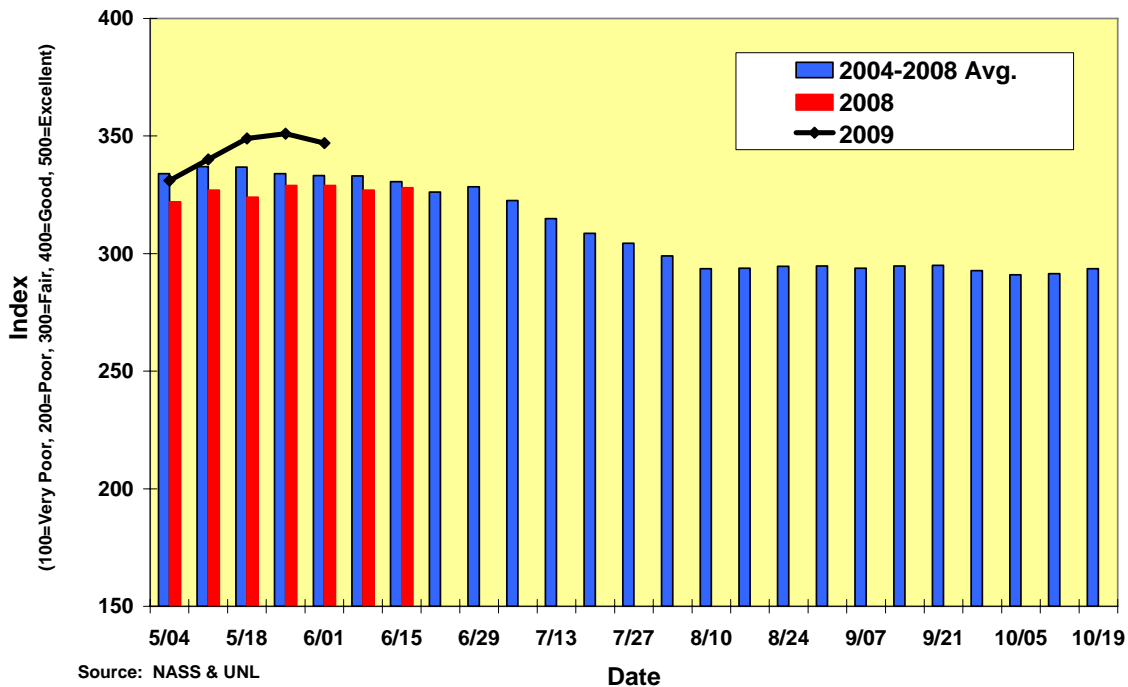
We thank you for your continued interest in “In the Cattle Markets” and look forward to continuing to share our analysis with you in future issues. With that, we’ll talk some about grazing conditions and summer grazing profits, just as Dr. Mintert did in the first issue of “In the Cattle Markets” seven years ago.

Green Pastures, Green Pockets?

Most cows and stocker cattle turned out to grass this past month have generally been finding pastures a bit greener than last year. Weekly pasture and range conditions for the month of May reported by USDA National Agricultural Statistics Service show less pasture and range in the “very poor” and “poor” condition ratings than last year. Nationally, 16% of U.S. pasture and range was rated poor or very poor, compared to 22% last year. Fifty-eight percent was rated good to excellent last week, compared to 51% last year. The pasture and range condition index illustrated in the graph below shows overall conditions (weighted by the percentage of pasture/range classified as very poor, poor, fair, good, and excellent) was well above last year and the previous 5-year average. However, it did see some modest decline

this past week. Regionally, some of the best pasture and range condition improvements relative to last year were in the Great Plains region (CO, KS, MT, NE, ND, SD, and WY) where only about 7% of the pasture/range was rated poor or very poor. The Southeast region (AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, and WV) also have been faring much better than last year's severe drought conditions, with only about 5% of the pasture/range rated poor to very poor. The Northeast and Cornbelt regions of the U.S. have conditions similar to last year. Western states (AZ, CA, ID, NV, NM, OR, UT, and WA) and Southern States (OK and TX) continue to have poorer growing conditions than average, but grass conditions have generally improved compared to last year. Nationally, only about 4% of the beef cow herd is in states with pasture/range condition rated at more than 40% poor or very poor. This compares to 12% last year. About 80% of the beef cow herd is in states with 40% or more of the pasture and range rated at good or excellent, which is just slightly below last year.

U.S. Pasture and Range Condition



So, do greener pastures translate into more greenbacks in graziers' pocketbooks this year? For some it could, but current budgets for stockers on summer grass in Nebraska produce red ink. Consider an average situation involving grazing yearlings weighing 750 lbs on May 1 through September 15 when they would weigh 950 lbs. Using the average 2009 summer grass rental price of \$30.84 per cow/calf pair, these yearlings would have a grass cost of about \$21/AUM. Transportation (60 miles at \$2.50/loaded mile), yardage (\$0.15/head/day) to cover fencing and management, death loss (2%), vet & medical expenses (\$10/head), and interest (6%) on variable expenses were also included to yield a cost near \$83/head. Those costs, along with the yearling steer value on May 1 at \$103.50/cwt, translate to a breakeven price at \$99/cwt. Based on current feeder cattle futures and an average Nebraska basis for a 950 lb. steer in September, about \$97/cwt can be expected when the cattle would come off grass. This is a loss of about \$18/head. Grazing a lighter weight calf with similar types of assumptions results in an even poorer breakeven. For a 525 lb. steer calf valued at \$122/cwt

going on grass costing \$16/AUM, the breakeven price is nearly \$111/cwt, about \$6/cwt (or \$45/head) higher than the expected sale price based on current feeder cattle futures.

Remember that these are average budgets and assumptions – individual costs of production will produce different results for different operations. These results seem to suggest though that grazing profits may be hard to come by this year. At a minimum, stocker operators should closely watch the feeder cattle market and forward contract prices for fall delivery cattle as summer unfolds for good selling opportunities.

The Markets

Last week’s fed cattle market was mostly \$1/cwt lower for both live and dressed sales across the “5-areas” that include Texas/Oklahoma/New Mexico, Kansas, Nebraska, Colorado, and Iowa/Minnesota. Most of the dressed trade volume in Nebraska occurred on Thursday last week at \$135, with a few sales up to \$135.50 and \$136, and live trades were at \$85 early in the day’s trade. As traded developed on Friday in Kansas and Texas, live prices drifted lower to \$84-84.50. Boxed beef prices dropping almost \$1.50/cwt amid concerns about beef demand seemed to lead the way for lower fed cattle prices for the week. Prices for yearling feeder steers were mostly steady in Nebraska and Oklahoma last week, but were up as much as \$4/cwt from the previous week in Montana. Yearling steer prices averaged \$101-103 across the three states. Calf prices in Montana and Nebraska both advanced last week, averaging about \$119 and \$122, respectively. Omaha corn prices continued to find support above the \$4/bu mark. Dried DG prices in Nebraska were up about \$1/ton, while wet DG prices averaged about \$2.50/ton lower compared to the previous week. Dried DG, at 10% moisture, was priced at 94% of the corn price, while wet DG, at 65% moisture, was 84% of the price of corn.

		Week of 5/29/09	Week of 05/22/09	Week of 05/30/08
5-Area Fed Steer	all grades, live weight, \$/cwt	\$84.38	\$85.09	\$95.18
	all grades, dressed weight, \$/cwt	\$135.04	\$136.17	\$149.75
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$145.60	\$147.03	\$155.98
	Choice-Select Spread, \$/cwt	\$6.19	\$5.12	\$3.57
700-800 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	\$103.27	\$99.11	--
	Nebraska 7-market average, \$/cwt	\$102.86	\$102.70	--
	Oklahoma 8-market average, \$/cwt	\$101.08	\$101.13	\$111.52
500-600 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	\$118.77	\$111.05	--
	Nebraska 7-market average, \$/cwt	\$121.77	\$119.45	\$117.50
	Oklahoma 8-market average, \$/cwt	\$116.17	\$117.21	\$121.75
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$4.12	\$4.07	\$5.45
	DDGS Price, Nebraska, \$/ton	\$147.00	\$145.75	\$173.13
	WDGS Price, Nebraska, \$/ton	\$50.75	\$53.25	\$61.50