

In The Cattle Markets

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Cattle on Feed Report Friendly

In last Friday's Cattle on Feed report, USDA reported the smallest June 1 cattle on feed inventory since 1999. At 10.4 million head of cattle in feedlots with more than 1,000 head capacities, the June 1 inventory is 3.8% lower than last year and 4.8% lower than the previous 5-year average. But, the on-feed number was quite close to pre-release expectations and came as little surprise. Fed cattle marketings during May were also close to expectations as well. May marketings totaled 1.952 million head, 8.8% lower than last year. A portion of the drop in marketings was due to one less slaughter day in May 2009 relative to May 2008. So, average daily marketings last month were down only 4.2%, which reflects the lower cattle on feed numbers for the past several months. Still, marketings as a percentage of the on-feed inventory was 6.1% lower than last year, and has generally been slowing relative to year-ago levels for the past several months. The number of cattle on feed for more than 120 days was 5.7% lower than June 1, 2008; however, the seasonal drop in the front-end supply of cattle doesn't appear quite as steep as previous years. It's possible that a few cattle have been held back either as a result of very negative margins forecasted for new placements or some hope that the fed cattle market would improve from the low \$80s seen for the past several weeks.

The rally in the corn market during May and early June served to create very negative margins for cattle going on feed last month. As a result, feeders' net placements last month were 1.537 million head, more than 15% lower than last year and well below pre-release estimates. Feeders apparently responded to expectations of better fed cattle prices in 2010 and placed proportionally more light weight cattle on feed last month. Placements weighing less than 600 lbs. were up 16% from May 2008 while placements weighing more than 600 lbs. were down 20%. Granted, last year saw a dramatic increase in heavy-weight placements as corn prices escalated early last summer. Still, compared to the May 5-year averages, light weight placements are a greater percentage of total placements. As a result, bull spreading was the predominant feature in live cattle futures trade on Monday morning, with nearby contracts generally trading \$0.30-0.40 higher, while 2010 deferred contracts were down about \$0.60.

The Markets

Monday through Wednesday last week saw Nebraska fed cattle asking prices at about \$132/cwt (dressed) and a few bids at \$129/cwt. By Thursday, some limited trade occurred at \$131, but most of the weekly volume moved at \$129-130 on Friday, about steady with the previous week. The 5-area steer price averaged \$81.73 (live) and \$129.88 (dressed), which was close to the previous week's levels, but off 14% compared to last year. The boxed beef market, however, maintained some strength and averaged \$0.22/cwt higher for the week. Yearling feeder steer prices were down about \$1.50/cwt in Nebraska but were up about

\$1.25/cwt in Oklahoma. Steer calf prices were steady in the southern plains and higher in the north. The best margin-improving news of the week was the drop in feedgrain prices. Through last Thursday, Omaha corn prices were \$0.36/bu lower and Nebraska DDGS prices were \$12/ton lower, although WDGS prices dropped only \$1/ton on average last week.

		Week of 6/19/09	Week of 06/12/09	Week of 06/20/08
5-Area Fed Steer	all grades, live weight, \$/cwt	\$81.73	\$81.88	\$94.88
	all grades, dressed weight, \$/cwt	\$129.88	\$130.26	\$150.00
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$140.00	\$139.78	\$158.20
	Choice-Select Spread, \$/cwt	\$7.03	\$6.95	\$5.83
700-800 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	--	\$92.50	--
	Nebraska 7-market average, \$/cwt	\$100.50	\$102.06	\$113.50
	Oklahoma 8-market average, \$/cwt	\$98.68	\$97.44	\$108.23
500-600 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	\$109.00	--	\$114.75
	Nebraska 7-market average, \$/cwt	\$120.19	\$114.66	\$120.60
	Oklahoma 8-market average, \$/cwt	\$108.28	\$108.26	\$114.43
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.78	\$4.14	\$6.93
	DDGS Price, Nebraska, \$/ton	\$132.88	\$144.90	\$187.60
	WDGS Price, Nebraska, \$/ton	\$49.88	\$51.00	\$67.50