

In The Cattle Markets

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Fireworks in Feeder Cattle Futures

Usually, the 4th of July holiday is a quiet one in the feeder cattle market with many auction markets closed and reduced direct trade. In spite of the holiday atmosphere in the cash market, fireworks occurred early and often in the futures market. The August feeder cattle contract gained \$2.75/cwt on Monday, June 29, following a hot, limit-up August live cattle futures contract. On Tuesday, the August feeder cattle futures contract gained another \$1.10. Although live cattle futures were weaker, feeder cattle futures were propelled by a 30 cent per bushel decline in the December corn futures contract. That decline was due to the USDA Acreage and Quarterly Stocks reports which were analyzed in the last week's "In The Cattle Markets" column. For the holiday shortened 4-day week, August feeder cattle futures gained \$4.48/cwt. The nearby August contract gained more than the distant months, but the November futures contract was also up \$3.80. August live cattle futures were up \$2.47/cwt for the week and December corn was down 46 ³/₄ cents per bushel, which were both supportive to feeder cattle prices. Last week was actually a continuation, although at a faster pace, in trends that have occurred during the last month. August feeder cattle futures increased over \$7.50/cwt in the last month, as August live cattle increased about \$4.25 and December corn futures dropped about \$1.15/bu. The fact that corn and cattle prices moved in opposite directions is noteworthy and do we dare say back to some degree of normalcy? Just think back to last year's wild ride in all commodity markets. They increased dramatically until about this time, and then they all plummeted the rest of the year. Typically, a 10 cent change in corn prices impacts fall calf prices about \$1/cwt in the opposite direction. But last year all markets were impacted by negative macroeconomic forces. The corn crop is far from being in the bin and fed cattle prices continue to struggle with lackluster beef demand. But, if a good corn crop pulls through and fed cattle can muster some seasonal strength after summer lows, calf and yearling prices during the fall marketing season could be higher than last year.

The Markets

The fed cattle market was stronger this past week. The 5-area fed steer price gained \$1.73 to an average of \$82.81 in a range of \$80-83.50. Dressed weight prices gained \$1.57 to average \$1.31 with a \$1.28 to \$1.32 range. Choice boxed beef prices continued to struggle and moved almost \$1 lower again. Most wholesale beef purchases for July 4th were made before last week, and the 4th tends to be more of a hamburger, hot dog grilling event than choice steaks. Many feeder cattle markets were closed, but Oklahoma recorded higher prices for 7-800 pound weight steers and lower prices for 5-600 pound weights. The corn market declined 39 cents and distilled grain prices also followed the steep decline in the feed complex.

| | | Week of 7/3/09 | Week of 06/26/09 | Week of 07/04/08 |
|---------------------------------------|------------------------------------|---------------------------|-----------------------------|-----------------------------|
| 5-Area Fed Steer | all grades, live weight, \$/cwt | \$82.81 | \$81.54 | \$101.18 |
| | all grades, dressed weight, \$/cwt | \$131.00 | \$129.43 | \$159.72 |
| Boxed Beef | Choice Price, 600-900 lb., \$/cwt | \$138.75 | \$139.71 | \$170.60 |
| | Choice-Select Spread, \$/cwt | \$5.95 | \$7.25 | \$6.73 |
| 700-800 lb. Feeder Steer Price | Montana 3-market average, \$/cwt | -- | -- | -- |
| | Nebraska 7-market average, \$/cwt | -- | \$105.32 | -- |
| | Oklahoma 8-market average, \$/cwt | \$101.67 | \$99.94 | \$110.49 |
| 500-600 lb. Feeder Steer Price | Montana 3-market average, \$/cwt | -- | -- | -- |
| | Nebraska 7-market average, \$/cwt | -- | \$121.56 | -- |
| | Oklahoma 8-market average, \$/cwt | \$106.65 | \$107.89 | \$115.32 |
| Feed Grains | Corn, Omaha, NE, \$/bu (Thursday) | \$3.21 | \$3.60 | \$7.05 |
| | DDGS Price, Nebraska, \$/ton | \$112.25 | \$130.25 | \$195.13 |
| | WDGS Price, Nebraska, \$/ton | \$43.13 | \$46.34 | \$70.25 |