

In The Cattle Markets

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

Department of Agricultural Economics, University of Nebraska–Lincoln

Feedyards Filling Up

USDA's Cattle on Feed report released last Friday revealed that cattle feeders took advantage of lower feed prices in July by placing more cattle on feed. The monthly average of nearby corn futures was \$0.79/bu lower in July relative to June, and distillers grain prices dropped proportionately with corn prices from June to July. This helped move projected closeouts on July placements into black ink. As a result, net placements of cattle into feedlots with 1,000+ head capacities were 12.3% higher than July 2008 and 8.8% higher than the previous 5-year average. This was at the high end of trade expectations and well above the 6.5% average increase that was expected.

July marketings were about one percentage point lower than the average pre-release estimate, also lending to the bearishness of the reported figures. At 1.928 million head, July marketings were down nearly 6% from July 2008. As a result of higher than expected placements and lower than expected marketings, the August 1 cattle on feed estimate dropped less than expected to 9.644 million head, 2.3% lower than last year.

Placements of cattle could be higher than year-ago levels through the remainder of 2009. Placements for the last five months of 2008 were below average levels. Plus, the recent drop in feed prices has substantially improved projected feeding margins. Steer calves weighing 550 lbs. placed on feed now, and finishing in mid-April, could see a profit of \$40/head using a conventional corn-only ration, based on feed prices and feeder cattle prices in the table below and average feeding performance. For a WDGS ration (with cheaper feedstuff prices and improved performance projections), this profit jumps to \$112/head. Heavier weight placements don't pencil out quite as well right now. A 750 lb. yearling steer going on feed now and finishing in late January has a projected loss of \$5/head for a conventional corn-only diet, but switching to a ration containing 40% WDGS (on a dry matter basis) results in a \$47/head profit. While these costs and performance expectations will differ for all feeders, it does suggest that many feeders can be profitable and lock in a positive margin for current placements, an opportunity badly needed after 2+ years of mostly negative closeouts.

The Markets

Last Friday, the fed cattle market traded \$1/cwt higher on both live and dressed sales in the 5-Area market. The bulk of the live trade occurred at \$82-83 and dressed prices averaged about \$131. Choice boxed beef prices averaged almost \$1/cwt higher last week, lending some support to the fed cattle market. Feeder cattle prices were generally lower across Montana, Nebraska, and Oklahoma last week as cattle feeders face uncertainty about the corn market. Yearling steer prices in Nebraska and Oklahoma at \$101-102 were \$1-4 lower than last week, while steer calf prices at \$109-113 were more than \$5 lower in Nebraska and \$2 higher in

Oklahoma. Last Thursday, corn prices in Omaha averaged \$3.07/bu, about steady with the previous week. DDGS prices continued dropping another \$2.60/ton last week to \$95.50/ton. WDGS continues to be a good buy for cattle feeders right now at \$27/ton, less than 60% of the corn price on a dry matter basis.

Cattle or Meat Category		Week of	Week of	Week of
<i>Data Source: USDA-AMS Market News</i>		8/21/09	08/14/09	08/22/08
5-Area Fed Steer	all grades, live weight, \$/cwt	\$82.91	\$81.92	\$98.66
	all grades, dressed weight, \$/cwt	\$130.94	\$130.34	\$155.70
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$142.15	\$141.22	\$162.80
	Choice-Select Spread, \$/cwt	\$7.10	\$6.78	\$6.15
700-800 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	\$96.60	\$97.75	--
	Nebraska 7-market average, \$/cwt	\$101.58	\$105.70	\$119.75
	Oklahoma 8-market average, \$/cwt	\$101.70	\$102.52	\$114.37
500-600 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	\$104.00	--	\$105.00
	Nebraska 7-market average, \$/cwt	\$112.92	\$118.28	\$125.45
	Oklahoma 8-market average, \$/cwt	\$109.55	\$107.62	\$118.95
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.07	\$3.06	\$5.80
	DDGS Price, Nebraska, \$/ton	\$95.50	\$98.10	\$154.10
	WDGS Price, Nebraska, \$/ton	\$27.00	\$27.00	\$58.25