

In The Cattle Markets

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Southeastern Feeder Cattle Marketings

Last week, Tim Petry mentioned that feeder cattle marketings were on the rise in the Plains. The same is not so in Southeastern markets. Mid-October typically marks the peak in the number of fall calves sold in Mississippi markets – and this is true of other Southeastern states as well. However, marketings for 2009 are down about 20%, compared to the 2003 thru 2007 average, since the start of September. The current economic environment is contributing to tough decisions for cow/calf and stocker producers regarding when to market their calves as prices are already under pressure from outside influences. Add to this the seasonal decline that occurs into the fall, and it is understandable that the weekly number of calves going to market is down.

In most parts of the country this year (with the notable exception of parts of central and south Texas) hay production and pasture conditions have been supported by adequate – in some cases excessive – rainfall and declining fertilizer prices. Feedstuff prices have also been on the decline. These factors collectively have many producers opting to hold onto calves longer than normal in hopes of an improvement in price.

What does this imply for the coming months? As with the current situation in wholesale beef, this will likely result in an increase in the number heavy feeder cattle coming to Southeastern markets in the first quarter of next year. Using a rough estimate of 1.67 pounds per day gained on grass this fall/winter and 3.3 pounds per day gained in a subsequent feedlot phase this would put these cattle going to slaughter in June when fed markets are normally at or near their seasonal lows.

World Agricultural Supply and Demand Estimates Summary

USDA released the latest *World Agricultural Supply and Demand Estimates (WASDE)* report on Friday. The report showed an increase in the size of the current corn crop compared to last month's estimate. Corn production is estimated at 13.018 billion bushels, reflecting a projected record-high yield of 164.2 bushels per acre. Corn use projections were raised by 5 million bushels from last month to 13.030 billion bushels. Corn ending stocks for 2009/10 are projected at 1.672 billion bushels, down 2 million bushels from 2008/09 ending stocks.

USDA's meat production forecasts for this month included an increase in projected 2009 pork production in response to larger-than-expected third quarter hog slaughter. Projected 2009 beef production was revised down slightly from last month, but not enough to offset the increase in anticipated pork production. For 2010, projections for pork production were reduced in response to lower farrowing intentions in the most recent *Quarterly Hogs and Pigs* report. Projected 2010 poultry production was also revised downward in this month's report.

Despite the favorable supply adjustments, USDA revised projections of 2010 prices for cattle, hogs, and broilers down slightly from last month – an acknowledgement of the obvious effects of weak demand in these markets.

The Markets

Cash fed cattle prices took another hit last week, with the 5-Area weighted average price sliding another \$1.20 lower. Relatively abundant market-ready supplies, especially in the North, have cattle feeders in a weak bargaining position. With soft demand already dampening packer enthusiasm, this is definitely a recipe for lower prices. In fact, prices in the entire meat complex continued to slip lower last week. The pork cutout dropped about 50 cents last week compared to the prior week, and wholesale boneless/skinless chicken breast prices dropped by \$2.50 per pound compared to the prior week.

Feed prices moved higher last week, with concern over potential late-season losses continuing to influence the market. Numbers in the WASDE report on Friday were more-or-less in line with expectations, allowing the market to focus on a weekend of unseasonably cold, snowy weather in parts of the Plains. Consequently, corn futures started this week on a high note, with the December contract adding almost 20 cents in Monday’s trading.

		Week of	Week of	Week of
		10/9/09	10/02/09	10/10/08
<i>Data Source: USDA-AMS Market News</i>				
5-Area Fed Steer	all grades, live weight, \$/cwt	\$80.88	\$82.08	\$91.19
	all grades, dressed weight, \$/cwt	\$125.01	\$127.64	\$140.56
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$134.46	\$137.25	\$152.27
	Choice-Select Spread, \$/cwt	\$5.12	\$5.34	\$7.20
700-800 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	\$92.58	\$93.29	\$101.88
	Nebraska 7-market average, \$/cwt	\$97.70	\$98.70	\$104.34
	Oklahoma 8-market average, \$/cwt	\$93.88	\$96.33	\$98.93
500-600 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	\$97.70	\$97.92	\$98.87
	Nebraska 7-market average, \$/cwt	\$104.72	\$106.82	\$109.95
	Oklahoma 8-market average, \$/cwt	\$101.63	\$100.89	\$105.81
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.41	\$3.27	\$4.27
	DDGS Price, Nebraska, \$/ton	\$95.70	\$89.00	\$152.50
	WDGS Price, Nebraska, \$/ton	\$36.28	\$35.75	\$57.70