

In The Cattle Markets

Dillon M. Feuz, Ph.D., Professor

Department of Applied Economics, Utah State University

The Corn Market

We have known since early summer that we had a potential for a very large corn crop, perhaps to set a record of over 13 billion bushel. Summer growing conditions were near ideal for much of the Corn Belt. As a result, Dec. corn futures declined from around \$4.70 per bushel in early June to \$3.10 per bushel in the 1st week of September. However, while much of the corn crop spent most of the growing season in the USDA Good to Excellent growing condition, it was also late. The crop was planted late, it emerged late, and it was late maturing. Therefore, there was always an uneasiness to the corn market because everyone was aware that an early frost in the Northern Corn Belt could have the potential to take yield away from this crop in a hurry. That event did occur and corn prices rallied back to over \$4.00 by the 3rd week of October. Prices retreated somewhat following that initial rally back to the \$3.60 level by November 1. However, the corn market has been trending higher in November and by November 10 the market was at \$3.90. It now appears that Dec corn will trade much closer to \$4.00 per bushel than the \$3.00 level it flirted with in September.

Once again, this level of price volatility makes it very difficult for cattle feeders and other livestock enterprises dependent upon corn. Cattle feeders seem to be buying feeder cattle at a discount to what future fed cattle prices are and what current corn prices are. But, who can blame them? They have certainly been burned buy increasing corn costs in the recent past and are not willing to suffer those kinds of losses again. I have not done the scientific analysis on this, but it would seem that volatility in corn prices are likely costing feeder cattle producers about \$5 per cwt.

The Markets

The fed cattle market was steady to lower this past week. Most trade took place on Thursday with limited trade on Friday this week on a reduced volume compared to the past couple of weeks. Prices were \$85-87 on a live weight basis and were mostly \$134 on a dressed basis. Choice boxed beef prices were a few cents higher this week. The Choice-Select spread increased a few cents and is narrower then the typical level. Feeder cattle prices were mixed this past week compared to the previous week. Montana prices were generally \$.50 lower on both weights of feeder cattle. Nebraska prices were \$2.50 and \$5.00 higher for 750 and 550 pound steers. Oklahoma prices were less than a dollar higher for both weights of feeder cattle compared to last week. Corn prices were \$.08 per bushel lower than last week. Dried Distillers Grain prices were \$3 per ton lower and wet distillers were less than a \$1 lower per ton in Nebraska for the week.

<i>Data Source: USDA-AMS Market News</i>		Week of 11/6/09	Week of 10/30/09	Week of 11/07/08
5-Area Fed Steer	all grades, live weight, \$/cwt	\$86.46	\$86.90	\$93.02
	all grades, dressed weight, \$/cwt	\$134.25	\$133.85	\$144.29
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$141.49	\$141.15	\$146.87
	Choice-Select Spread, \$/cwt	\$5.63	\$5.36	\$7.09
700-800 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	\$88.09	\$88.70	\$94.18
	Nebraska 7-market average, \$/cwt	\$96.70	\$94.18	\$98.00
	Oklahoma 8-market average, \$/cwt	\$95.55	\$94.82	\$99.63
500-600 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	\$101.53	\$102.00	\$103.27
	Nebraska 7-market average, \$/cwt	\$107.07	\$102.37	\$109.86
	Oklahoma 8-market average, \$/cwt	\$103.39	\$102.78	\$106.90
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.54	\$3.62	\$3.67
	DDGS Price, Nebraska, \$/ton	\$125.10	\$128.30	\$127.60
	WDGS Price, Nebraska, \$/ton	\$35.10	\$35.90	\$37.00