

December 3, 2009

## **In The Cattle Markets**

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### **Sharply Lower Carcass Weights**

Cattle markets over the past few weeks have, for the most part, been anything but outstanding. Boxed beef prices throughout much of October were moving in a counter-seasonal direction which continued to emphasize the lackluster demand the industry is facing and only recently have these prices begun to rebound. In light of this depressing news, on the supply side of the equation, carcass weights have been declining at a fast clip during this period as well. Last week, Steve Meyer and Len Steiner highlighted this development in their *Daily Livestock Report*.

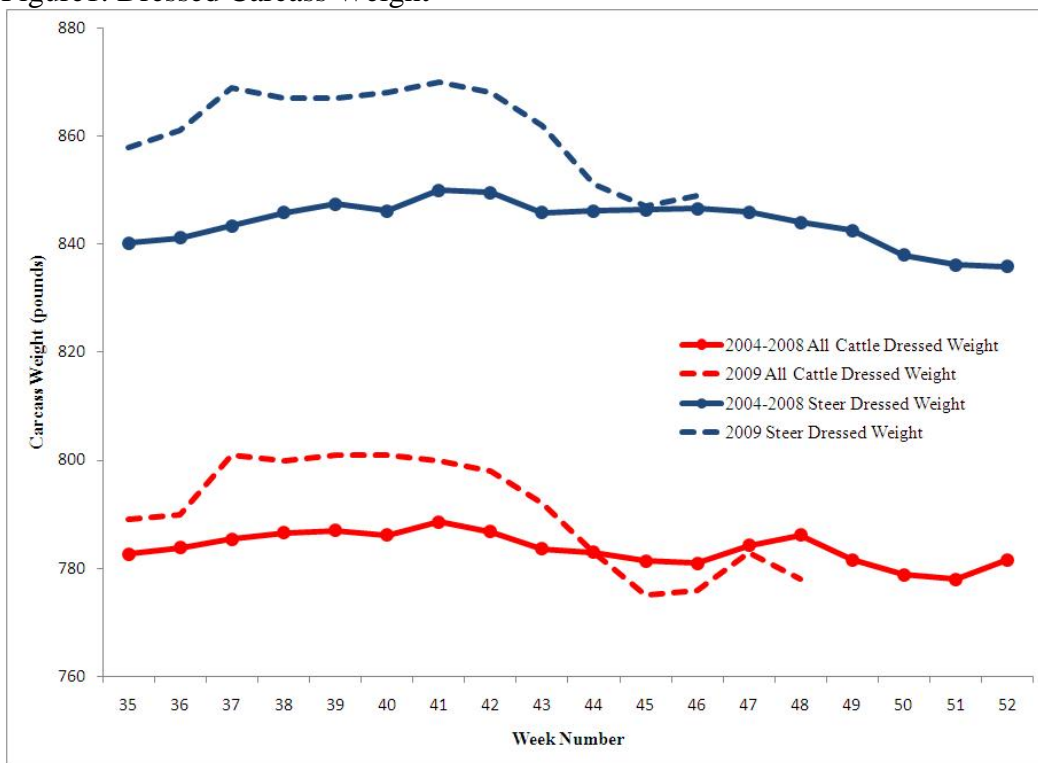
Although it is not uncommon for weights to decline entering the winter feeding months, the rate of the decline is what is rare. As figure 1 depicts, from the third week of October (week 42) of this year through the second week of November (week 45) all carcass weights declined 23 pounds and steer carcass weights dropped 21 pounds. The previous five year average over this same time frame was a drop of about 5.5 pounds and 3 pounds for all cattle and steers, respectively.

A number of factors are at play here. Obviously, cooler weather slows the rate of gain and is why a decline is typical but the sharp decline this year must have other implications as well. Meyer and Steiner point out that placements in May and June were well below 2008 and when carried forward four to five months marketings maintained, or were above, year ago levels. Taking this into consideration, cattle currently being marketed are likely greener than normal for this time of year which would account for the lighter weights.

So, what does this imply for the beef complex? Removing 22 pounds per animal slaughtered over the course of four weeks reduces the total supply of beef, right? Although beef production and cattle slaughter had kept pace with the prior five year average through the week ending November 22, 2009, last week's production and slaughter were well below their previous five year averages – 8.9% and 7.2%, respectively.

Unfortunately, the positive impacts currently being experienced regarding supply will likely be short lived. First, at this time, the fed cattle market is very soft and thus unsupportive of aggressive marketings. Secondly, placements picked up through July, August and September indicating more availability in the coming months. Lastly, the sharp rate of decline in carcass weights is already starting to slow as noticeable in figure 1.

Figure 1. Dressed Carcass Weight



Source: USDA, AMS

**The Markets**

With the Thanksgiving holiday taking center stage trade was light across all regions last week. The 5-area fed steer price did show some slight improvement at \$83.21 on a liveweight basis and \$130.82 dressed as compared to \$82.77 and \$130.05 the week before. Feeder cattle prices gained back some ground with varied outcomes across regions. Some reported steady prices and others were up as much \$4 or more.

Corn futures prices moved lower to start the week as oil weakened but resurged to end the week. Live cattle futures moved lower throughout the holiday shortened week and nearby feeder futures were steady to higher until Friday when the contract dipped lower.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of</b> 11/27/09	<b>Week of</b> 11/20/09	<b>Week of</b> 11/28/08
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$83.21	\$82.77	\$89.82
	all grades, dressed weight, \$/cwt	\$130.82	\$130.05	\$141.06
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$140.85	\$140.10	\$153.21
	Choice-Select Spread, \$/cwt	\$7.79	\$7.83	\$10.26
<b>700-800 lb. Feeder Steer Price</b>	Montana 3-market average, \$/cwt	\$92.43	--	\$83.83
	Nebraska 7-market average, \$/cwt	\$98.96	\$98.53	\$97.53
	Oklahoma 8-market average, \$/cwt	--	\$93.94	\$92.05
<b>500-600 lb. Feeder Steer Price</b>	Montana 3-market average, \$/cwt	\$103.32	\$102.71	\$100.16
	Nebraska 7-market average, \$/cwt	\$109.21	\$106.21	\$107.95
	Oklahoma 8-market average, \$/cwt	--	\$102.14	\$101.67
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.59	\$3.61	\$3.58
	DDGS Price, Nebraska, \$/ton	\$122.25	\$123.80	\$132.00
	WDGS Price, Nebraska, \$/ton	\$43.59	\$43.63	\$46.25