

## **In The Cattle Markets**

**John Michael Riley, Ph.D., Asst. Extension Professor**

**Department of Agricultural Economics, Mississippi State University**

**John D. Anderson, Ph.D., Livestock Economist**

**American Farm Bureau Federation**

### **Wholesale Beef Movement**

In the final week of February, the Choice boxed beef cutout value climbed over the \$150/cwt mark for the first time since April 2009. Toward the end of this week, cutout values faded a bit but still managed to notch of 5-day average of \$150. 34. The Select cutout is not far behind, with the CH/SE spread at \$1.40. The cutout value is above its year-ago level. In the first week of March 2009, the Choice cutout was in the mid-\$130s, having declined sharply from a mid-February level of around \$150. Last year, weak demand was the key factor in the decline in wholesale beef prices since supplies were down year-over-year. (Through the first week of March last year, beef production year-to-date was about 4.5% lower than in 2008.)

The recent rally in the wholesale beef market appears to be mostly a supply-driven phenomenon at this point. While year-to-date beef production through this past Friday is only down by about 1%, that reflects some pretty large year-over-year increases in the month of January. Since the first week of February, beef production has been consistently lower than year-earlier levels, suppressed largely by the impact of very poor weather that has sharply reduced cattle weights and, in some weeks, made delivery of market-ready cattle difficult. So, while the supply side of the market has been definitely supportive of prices, the impact of the demand side has been less clear. Seasonally, the mid-to-late winter time period is not generally a good one for beef demand. This year, while prices have improved, movement of beef has been very slow, suggesting that demand, while hopefully at least stable, is not growing. Load counts of Choice and Select cuts last week were well below what is typical for this time of year – especially for the first week of the month. Last week, the volume of sales (for delivery within 21 days) of wholesale choice and select beef cuts was 739 loads. For some perspective, in the first week of March 2008 wholesale beef prices were also in the low \$150s and the weekly load count was well over 1,000 loads. Relatively tight supplies have forced packers to pay up for cattle, and they have maintained margins by pushing those higher prices on down the line. Unless beef movement picks up quickly, though, wholesale beef prices will pull back, a retracement that probably started with the lower wholesale prices beginning around the middle of last week. A \$5 to \$7 drop from current levels over the month of March would not be out-of-line with normal market behavior.

### **The Markets**

Cash fed cattle trade was very slow to develop this week, with packer bids and feeder asking prices separated by a good \$3 to \$4 for much of the week. By mid-afternoon Friday, only the Western Cornbelt had moved enough cattle for USDA to call a trend: dressed prices close to steady at \$145. Trade did not get active in most regions until late Friday at prices that were,

on average, about steady with the prior week. Oklahoma City this week, feeders steers were steady to \$1 lower; stockers were \$1 to \$4 higher. The big runs of wheat pasture cattle continued this week, with OKC receipts of just under 12,000 head. Despite an announcement on Friday that Russia was ready to resume pork imports from currently-banned US plants, livestock futures managed no better than a mixed performance on Friday. Nearby Live Cattle, Lean Hog, and Feeder Cattle Futures all closed down on the day. More deferred contracts were close to steady.

The Labor Department released February's unemployment figures on Friday. The nation's unemployment rate was put at 9.7% for February: down 0.1% from the prior month and also about 0.1% lower than most analysts expected. Stock prices rose in response to the news, showing that people probably pay way too much attention to the decimal places in economic estimates. Actually, Friday's report capped off a week of fairly decent economic indicators. Contracts on existing homes were off sharply in January, showing that the housing market still has a tough climb ahead, but other numbers were more favorable. Productivity in the fourth quarter of 2009 grew at an annualized rate of nearly 7%, suggesting that businesses are squeezing more out of existing workers – usually a prelude to going ahead and hiring a few more. Retail sales were also up in February, posting their largest gain since before that start of the recession: pretty impressive given the foul weather that most of the country was enduring last month. Overall, the numbers indicate that the economy continues to grind out a slow recovery.

		<b>Week of 3/5/10</b>	<b>Week of 02/26/10</b>	<b>Week of 03/06/09</b>
<i>Data Source: USDA-AMS Market News</i>				
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$90.96	\$90.91	\$81.67
	all grades, dressed weight, \$/cwt	\$144.54	\$144.54	\$129.65
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$150.34	\$149.62	\$134.87
	Choice-Select Spread, \$/cwt	\$1.40	\$0.78	\$1.57
<b>700-800 lb. Feeder Steer Price</b>	Montana 3-market average, \$/cwt	\$101.63	\$98.03	\$90.61
	Nebraska 7-market average, \$/cwt	\$104.40	\$104.12	\$96.61
	Oklahoma 8-market average, \$/cwt	\$101.97	\$101.50	\$91.70
<b>500-600 lb. Feeder Steer Price</b>	Montana 3-market average, \$/cwt	\$122.25	\$121.19	\$116.16
	Nebraska 7-market average, \$/cwt	\$125.89	\$123.86	\$113.83
	Oklahoma 8-market average, \$/cwt	\$120.66	\$118.58	\$107.88
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.61	\$3.63	\$3.48
	DDGS Price, Nebraska, \$/ton	\$105.00	\$104.00	\$127.70
	WDGS Price, Nebraska, \$/ton	\$38.30	\$39.50	\$45.13