

# CATTLE MARKET NOTES

Friday, January 4, 2008

*John D. Anderson, Department of Agricultural Economics  
Mississippi State University*

After struggling a bit in December, the fed cattle market ended the year on a fairly strong note. Last week's 5-Area average fed steer price (live) worked out to \$92.21 – a \$1 to \$2 improvement from the week prior to Christmas. This week, with crude oil futures topping \$100 a barrel and reinvigorated grain futures making a mess of livestock markets in general, there didn't seem to be a lot of optimism to start out the week. Nonetheless, on Thursday, cash prices moved another \$2 to \$3 higher in fairly active business. Prices in the South were mostly \$95 live and \$152-\$153 dressed. In Nebraska, prices were a bit lower than that at \$93-\$94 live and \$150-\$152 dressed. Negotiated transactions were reported on almost 230,000 head through mid-day Friday. Slaughter looks relatively large for a major holiday week: 528,000 head this week compared to 526,000 a year ago. Despite the holiday, hog slaughter is expected to top 2 million head: 2,009,000 this week compared to 1,845,000 a year ago.

Most auctions were quiet this week due to the New Year's holiday. USDA market news reports will resume next week.

Live Cattle futures have had a bit of a rough time over the holiday season. December's *Cattle on Feed* report was not at all friendly, showing much larger November placements than anybody expected. Last week, futures surged higher on Thursday in response to higher cash prices. The market basically held that level until yesterday. This Thursday, unexpectedly higher cash prices came too late in the day to prevent a pretty substantial sell-off in the Live Cattle pits. After yesterday's strong showing in the cash market, futures moved higher in Friday trading. However, by the close, most contracts were down slightly – a very disappointing development given the strength in the cash market this week. Live Cattle futures closing prices on Friday (with change from last Friday's close in parentheses) were as follows: February \$94.55 (-1.50); April \$96.95 (-1.37); June \$94.05 (-0.72); August \$95.42 (-0.55); October \$99.50 (-0.32).

The New Year is not off to a good start for Feeder Cattle futures. Soaring grain markets and uncertain Live Cattle futures have conspired to push feeder cattle futures sharply lower in the first week of the year. Much like Live Cattle, feeder futures have been largely under pressure since the bearish *On Feed* report in December. The March contract has lost about \$4 since that time. That contract closed on Friday at a life of contract low. More deferred contracts are at their lowest level in six months. Until grain markets stabilize, feeder cattle futures will remain under pressure. Feeder Cattle futures closing prices on Friday (with change from last Friday's close in parentheses): January \$100.32 (-4.00); March \$103.35 (-3.00); April \$106.35 (-2.22); May \$108.10 (-1.85).

As already noted, corn futures have stormed higher. Over the holiday season, the March contract obliterated its past life-of-contract high of about \$4.40 and now sits at \$4.66  $\frac{3}{4}$  (up 14  $\frac{3}{4}$  cents from last Friday's close). The December (new crop) contract is even higher than that. This reflects the degree to which phenomenally high soybean prices are affecting acreage expectations. Fundamentals in the grain market have gotten even stronger (if that is possible) here in the first week of the year. Oil futures hit \$100 a barrel this week. This improves demand prospects for corn by increasing expected returns in ethanol production. It also attracts new money into the long side of grain futures as funds seek an inflation hedge. Also this week, China announced a tax on its grain exports as a means of keeping more of its grain on its domestic market. This also improves demand prospects for US corn. Next week, attention will turn to the *Grain Stocks* report to be

released on Friday. One would like to think that this week's dramatic run in corn (and soybean and wheat) futures makes it more difficult to get a report that the market could consider bullish (what hasn't already been priced into this market?), but we will see.

Wholesale beef prices have edged higher pretty much all week but on relatively light movement. On Friday afternoon, the Choice cutout stood at \$148.55, up \$1.66 from last Friday. The Select cutout stood at \$137.33, up \$1.70 from last Friday.

### Futures Prices

Month	Live Cattle	Change*	Feeder Cattle	Change*	Lean Hogs	Change*	Corn	Change*
Jan			\$ 100.32	-4.00				
Feb	\$ 94.55	-1.50			\$ 56.40	-0.90		
Mar			\$ 103.35	-3.00			\$466 3/4	14 3/4
Apr	\$ 96.95	-1.37	\$ 106.35	-2.22	\$ 61.90	-1.45		
May			\$ 108.10	-1.85	\$ 68.92	-0.80	\$478	14 3/4
Jun	\$ 94.05	-0.72			\$ 72.40	-0.52		
Jul					\$ 71.72	-1.35	\$487 3/4	14 3/4
Aug	\$ 95.42	-0.55	\$ 109.05	-1.40	\$ 71.37	-0.53		
Sep			\$ 107.90	-1.72			\$486 1/4	14
Oct	\$ 99.50	-0.32	\$ 107.80	-1.60	\$ 67.12	+0.12		
Nov			\$ 107.50	-1.35				
Dec	\$ 100.32	+0.17			\$ 67.27	+0.02	\$486 3/4	13 3/4

Source: Chicago Mercantile Exchange and Chicago Board of Trade.

\* Change from last Friday's close.

## Price and Production Summary

	This Week	Last Week	Last Year
<b>5-Area Fed Steer Price</b>			
Live	\$ 94.56	\$ 92.06	\$ 88.04
Dressed	\$ 150.66	\$ 146.36	\$ 141.69
<b>OKC Feeder Cattle Prices</b>			
7.5-8 wt M&L #1 steer			
5-5.5 wt M&L #1 steer			
<b>BBCV (weekly avg.)</b>			
600-900 lb Choice cutout	\$ 148.05	\$ 147.69	\$ 146.26
600-900 lb Select cutout	\$ 136.97	\$ 136.11	\$ 131.46
<b>Other Livestock Prices</b>			
Barrows and Gilts (base price)	\$ 47.50	\$ 49.41	\$ 55.16
Pork Carcass Cutout	\$ 57.21	\$ 58.22	\$ 63.37
Georgia Dock Broilers	\$ 76.36	\$ 76.71	\$ 70.09
Georgia Dock B/S Breasts	\$ 133.00	\$ 132.00	\$ 140.00
<b>Feed Prices (\$/ton)</b>			
Whole Cottonseed	\$ 250.00	\$ 232.00	\$ 130.00
Cottonseed Meal	\$ 210.00	\$ 210.00	\$ 165.00
Corn Gluten Feed	N/A	\$ 150.00	\$ 100.00
Distillers' Dried Grains	\$ 160.00	\$ 152.50	\$ 126.50
Wheat Midds	\$ 150.00	\$ 140.00	\$ 105.00
Rice Bran	\$ 112.50	\$ 112.50	\$ 95.00
Soybean Hulls	\$ 147.00	\$ 142.00	\$ 135.00
<b>Meat Production (million lbs)</b>			
Beef	412.6	379.9	411.0
Pork	409.7	360.7	376.6
<b>Slaughter (1,000 head)</b>			
Cattle	528	483	526
Hogs	2,009	1,763	1,845
Broilers/Fryers	136,470	120,576	136,307
<b>Avg. Dressed Weight</b>			
Cattle	784	790	784
Hogs	204	205	204

Source: USDA Agricultural Marketing Service and Livestock Marketing Info. Ctr.

Note: All feed prices for Memphis market except DDG (E. Corn Belt) and Rice Bran (AR)