

# CATTLE MARKET NOTES

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Last week, cash fed cattle prices moved \$2 higher in very active trade. Last week's 5-Area average fed steer price (live) was \$94.53 – actually a bit more than \$2 higher than the prior week. The strength in the cash market last week fueled hopes for still higher prices this week. Feeders spent most of the week asking \$96 or better against offers of \$92. On Friday, with livestock futures in the tank, feeders finally took what was offered but only in limited trade. In very light business on Friday, live prices were \$92 in the South (\$3 lower), and dressed prices were \$146 to \$148 in the North (\$3 to \$4 lower). Negotiated transactions were reported on just a little over 61,000 head through mid-afternoon Friday. Slaughter levels still look fairly large: 631,000 head this week compared to 599,000 a year ago. Hog slaughter is also remains impressive: 2,444,000 this week compared to 2,100,000 a year ago.

Auctions were back in business this week – most for the first time since before Christmas. Compared to the last sale of 2007, at Oklahoma City feeder steer and heifer prices were \$2 to \$5 lower. Prices on stocker steers were steady to \$2 lower, and prices on stocker heifers were \$3 to \$5 lower. At Lexington, Kentucky, feeder steer and heifer prices were \$2 to \$4 lower. Stocker steer and heifer prices were steady to \$4 lower. At West Plains, Missouri, prices on steers were \$3 to \$5 lower (with an exception noted on 500-550 pounders, which were called steady). Prices on heifers were \$2 to \$4 lower. At Arkansas auctions this week, prices on all classes of feeders and stockers were called \$2 to \$6 lower. At Georgia auctions, feeder steer prices were \$1 to \$3 lower; feeder heifer prices were \$1 to \$4 lower. Stocker steer and heifer prices were \$3 to \$5 lower.

At Mississippi auctions this week steer prices were called \$2 to \$5 lower, and heifer prices were called \$1 to \$4 lower. Receipts were just under 8,000 head, up about 500 head from the same week a year ago. Steer prices at Mississippi auctions this week were reported as follows: 250-300 pounds, \$135-\$145; 300-400 pounds, \$125-\$135; 400-450 pounds, \$115-\$125; 450-500 pounds, \$100-\$115; 500-600 pounds, \$90-\$100; 600-700 pounds, \$85-\$90; 700-800 pounds, \$80-\$85. Slaughter cow prices were \$1 to \$3 lower this week. For the week: breakers, not reported; boners, \$43-\$48; lean (850-1,200 pounds), \$38-\$46.

Live Cattle futures were mixed this week. The inability of the cash market to follow through on last week's gains and essentially stagnant wholesale beef prices kept steady pressure on February and April contracts. On Friday, \$92 cash prices took a significant bite out of the February contract, which closed at just under \$92 for the week. More deferred contracts mostly moved higher this week in response to higher corn futures, which suggest a strong incentive for a reduction in beef (and, in fact, total meat) production for later this year. Live Cattle futures closing prices on Friday (with change from last Friday's close in parentheses) were as follows: February \$91.35 (-3.20); April \$95.50 (-1.45); June \$94.10 (+0.05); August \$96.55 (+1.13); October \$101.27 (+1.77).

Feeder cattle futures got knocked around pretty hard by grain futures again this week. A pull-back in corn futures on Thursday was met with a dramatic jump in feeder futures. This was not to last, however, as Friday's *Supply and Demand Estimates* report surprised everyone with a sharp drop in expected corn ending stocks. Corn locked limit up, and feeder futures melted away, with contracts though May giving back all of Thursday's gain and then some. Feeder Cattle futures closing prices on Friday (with change from last Friday's close in parentheses): January \$99.50 (-0.82); March \$102.50 (-0.85); April \$105.70 (-0.65); May \$108.05 (-0.05).

This is what I said in last Friday's *CMN* (in case anybody is keeping score):

*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.*

Well, not everything was priced in. The market got plenty of bullish information to digest on Friday. First, the *Grain Stocks* report. This report put December 1 corn stocks at 10.269 billion bushels. This is up 15% from the prior year, but pre-report expectations had been for a number a bit over 10.5 billion bushels. The report gives some insight into demand over the Sep-Nov period. Indicated disappearance over that period was 4.11 billion bushels. This compares with 3.57 billion bushels over that same time period a year ago. This is an impressive increase in off-take given recent price levels. Next, the annual *Crop Production* report included a reduction in estimated 2007 corn production to 13.074 billion bushels from last month's estimate of 13.168 billion bushels. The bottom line of these figures (i.e., reduced production and large disappearance) is reflected in the 2007/08 ending stocks estimate in the *World Agricultural Supply and Demand Estimates* report. Ending stocks are now estimated at 1.438 billion bushels – down from an estimate of 1.797 billion bushels last month and well below private pre-report estimates. All of this understandably got the market's attention. All corn futures contracts through July 2009 moved up the 20 cent daily limit on Friday. All contracts from May '08 through July '10 are now trading over the \$5 mark. This is a tremendous pricing opportunity for corn producers but a very sobering situation for all livestock markets. March corn futures closed on Friday at \$4.95 – up 28 ¼ cents from last Friday. In other notable grain market news Friday, the annual *Winter Wheat Seedings* report put all winter wheat plantings at 46.610 million acres. That is up just 4% from a year ago despite very high wheat prices. This acreage was well below trade expectations. The rather modest gain in acreage suggests that wheat stocks, which are currently at a 60-year low, will not increase a great deal with the coming harvest, providing yet another source of fundamental support for grain prices.

Choice wholesale beef prices moved up a little bit early in the week before settling back to about where they started. The Select cutout moved modestly higher for the week. Overall, movement was pretty good. On Friday afternoon, the Choice cutout stood at \$148.78, up 23 cents from last Friday. The Select cutout stood at \$139.51, up \$2.18 from last Friday.

## Market Summary

### Mississippi Auction Summary

| Weight  | Steers      | Heifers     | Slaughter Classes                   |
|---------|-------------|-------------|-------------------------------------|
| 300-350 | \$125-\$135 | \$104-\$115 | Breakers not reported               |
| 350-400 | \$125-\$135 | \$104-\$115 | Boners \$43-\$48                    |
| 400-450 | \$115-\$125 | \$95-\$104  | Lean \$38-\$46                      |
| 450-500 | \$100-\$115 | \$95-\$104  | Bulls, YG 1-2, <1,500 lbs \$48-\$58 |
| 500-550 | \$90-\$100  | \$85-\$95   | Bulls, YG 1-2, >1,500 lbs \$56-\$67 |
| 550-600 | \$90-\$100  | \$85-\$95   |                                     |
| 600-650 | \$85-\$90   | \$80-\$85   |                                     |
| 650-700 | \$85-\$90   | \$80-\$85   |                                     |
| 700-750 | \$80-\$85   | \$70-\$78   |                                     |
| 750-800 | \$80-\$85   | \$70-\$78   |                                     |

Note: Steer and heifer prices are for medium and large frame, numbers 1-2.

Source: USDA Agricultural Marketing Service

### Futures Prices

| Month | Live      |         | Feeder    |         | Lean     |         | Corn      | Change* |
|-------|-----------|---------|-----------|---------|----------|---------|-----------|---------|
|       | Cattle    | Change* | Cattle    | Change* | Hogs     | Change* |           |         |
| Jan   |           |         | \$ 99.50  | -0.82   |          |         |           |         |
| Feb   | \$ 91.35  | -3.20   |           |         | \$ 54.00 | -2.40   |           |         |
| Mar   |           |         | \$ 102.50 | -0.85   |          |         | \$495     | 28 1/4  |
| Apr   | \$ 95.50  | -1.45   | \$ 105.70 | -0.65   | \$ 62.25 | +0.35   |           |         |
| May   |           |         | \$ 108.05 | -0.05   | \$ 70.32 | +1.40   | \$506 1/4 | 28 1/4  |
| Jun   | \$ 94.10  | +0.05   |           |         | \$ 74.62 | +2.22   |           |         |
| Jul   |           |         |           |         | \$ 74.77 | +3.05   | \$516     | 28 1/4  |
| Aug   | \$ 96.55  | +1.13   | \$ 109.90 | +0.85   | \$ 74.20 | +2.83   |           |         |
| Sep   |           |         | \$ 110.00 | +2.10   |          |         | \$514     | 27 3/4  |
| Oct   | \$ 101.27 | +1.77   | \$ 110.00 | +2.20   | \$ 69.80 | +2.68   |           |         |
| Nov   |           |         | \$ 110.00 | +2.50   |          |         |           |         |
| Dec   | \$ 102.27 | +1.95   |           |         | \$ 71.27 | +4.00   | \$513 1/4 | 26 1/2  |

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                                 | \$ 91.10  | \$ 94.56  | \$ 87.74  |
| Dressed                              | \$ 148.78 | \$ 150.66 | \$ 140.77 |
| <b>OKC Feeder Cattle Prices</b>      |           |           |           |
| 7.5-8 wt M&L #1 steer                | \$ 100.47 | N/A       | \$ 100.03 |
| 5-5.5 wt M&L #1 steer                | \$ 123.92 | N/A       | \$ 117.69 |
| <b>BBCV (weekly avg.)</b>            |           |           |           |
| 600-900 lb Choice cutout             | \$ 149.24 | \$ 148.05 | \$ 152.50 |
| 600-900 lb Select cutout             | \$ 138.95 | \$ 136.97 | \$ 138.36 |
| <b>Other Livestock Prices</b>        |           |           |           |
| Barrows and Gilts (base price)       | \$ 46.19  | \$ 47.50  | \$ 55.89  |
| Pork Carcass Cutout                  | \$ 56.19  | \$ 57.21  | \$ 62.54  |
| Georgia Dock Broilers                | \$ 76.73  | \$ 76.36  | \$ 70.48  |
| Georgia Dock B/S Breasts             | \$ 131.50 | \$ 133.00 | \$ 143.50 |
| <b>Feed Prices (\$/ton)</b>          |           |           |           |
| Whole Cottonseed                     | \$ 252.00 | \$ 250.00 | \$ 128.00 |
| Cottonseed Meal                      | \$ 255.00 | \$ 210.00 | \$ 160.00 |
| Corn Gluten Feed                     | \$ 150.00 | N/A       | \$ 100.00 |
| Distillers' Dried Grains             | \$ 166.50 | \$ 160.00 | \$ 122.50 |
| Wheat Midds                          | N/A       | \$ 150.00 | \$ 100.00 |
| Rice Bran                            | \$ 107.50 | \$ 112.50 | \$ 95.00  |
| Soybean Hulls                        | \$ 145.00 | \$ 147.00 | \$ 135.00 |
| <b>Meat Production (million lbs)</b> |           |           |           |
| Beef                                 | 491.6     | 416.5     | 465.1     |
| Pork                                 | 497.5     | 410.1     | 427.1     |
| <b>Slaughter (1,000 head)</b>        |           |           |           |
| Cattle                               | 631       | 533       | 599       |
| Hogs                                 | 2,444     | 2,011     | 2,100     |
| Broilers/Fryers                      | 175,526   | 136,470   | 158,682   |
| <b>Avg. Dressed Weight</b>           |           |           |           |
| Cattle                               | 782       | 784       | 779       |
| Hogs                                 | 204       | 204       | 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)