

CATTLE MARKET NOTES

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Last week, feeders threw in the towel relatively early, taking mostly \$88 for fed cattle on Thursday. The 5-Area average price for fed steers last week worked out to \$87.93 live and \$141 dressed – down about \$2 and \$3, respectively, from the prior week. This week started on a rather demoralizing note with the release of a startlingly bullish (bullish for corn, that is) *Prospective Plantings* report. By Wednesday, feedlots were taking \$86 live and \$138 to \$140 dressed for this week's marketings – no doubt adding to last week's steep losses. A simple illustration is instructive: a feeder steer placed in the feedlot last October/November weighing 750 pounds at a delivered price of \$110 with a total cost of gain (feed and non-feed costs) of \$0.80 would break even at \$98 (assuming a 1,250 pound sale weight). At \$86, that animal loses \$150/head. Viewed another way, that hypothetical feeder calf placed at 750 pounds for \$110 and sold at 1,250 would have to have fed for a \$0.50/lb total cost of gain in order to break even at \$86. This is a grim situation for cattle feeders. It is hard to imagine anyone who has closed out fed cattle in the last couple of weeks having any enthusiasm for going back in.

Cattle slaughter picked back up some this week. Slaughter for the week is estimated at 624,000 head – up from 616,000 a week ago and 601,000 a year ago. Hog slaughter is, again, large: 2,286,000 head this week compared to 2,258,000 last week and 2,052,000 head a year ago.

With corn futures surging after the *Prospective Plantings* report and fed cattle suffering as noted above, there wasn't much support for feeder markets this week. At Oklahoma City, prices on feeder steers were steady to \$2 lower; prices on feeder heifers were \$2 to \$5 lower. Prices on stocker calves were steady to \$3 lower. At Lexington, Kentucky, prices on feeder steers were \$1 to \$3 lower; prices on feeder heifers were \$2 to \$4 lower. Prices on stocker steers were steady to \$2 lower; and prices on stocker heifers were steady to \$4 lower. At West Plains, Missouri, prices on steers over 550 pounds and heifers over 500 pounds were generally weak to \$2 lower; prices on lighter weights were \$2 to \$6 lower. At Arkansas markets this week, prices on steers over 450 pounds were weak to \$3 lower. Prices on lighter steers were \$3 to \$5 lower. Prices on heifers were \$1 to \$4 lower. At Georgia markets this week, feeder steer prices were \$3 to \$6 lower; feeder heifer prices were \$2 to \$5 lower. Stocker steer prices were \$4 to \$6 lower; and stocker heifer prices were \$4 to \$5 lower.

At Mississippi auctions this week, feeder steer and heifer prices were \$5 to \$10 lower. Receipts at auction this week totaled 5,197 head compared with 5,650 head a year ago. Steer prices at Mississippi auctions this week were reported as follows: 200-300 pounds, \$130-\$140; 300-400 pounds, \$110-\$120; 400-500 pounds, \$100-\$110; 500-600 pounds, \$90-\$100; 600-700 pounds, \$82-\$90; 700-800 pounds, \$78-\$85. Slaughter cow prices were \$1 lower this week. For the week: breakers, not reported; boners, \$44-\$52; lean (850-1,200 pounds), \$42-\$50.

Somewhat surprisingly, Live Cattle futures moved higher on Thursday and Friday following Wednesday's very disappointing cash business. Probably the most supportive factor in the futures market was the performance of Lean Hog futures, which posted very strong gains to finish out the week, supported by improving pork cutout values and cash hog bids. Some traders in both the cattle and hog pits seem to be banking on improving weather getting the grilling season revved up, providing support for both pork and beef cutouts. We'll see. Closing prices on Friday (with change

from last Friday's close in parentheses) were as follows: April \$87.90 (+0.25); June \$89.20 (+1.33); August \$94.77 (+2.10); October \$100.25 (+1.73); December \$102.00 (+0.80).

Feeder cattle futures suffered again this week from higher corn futures. As the run in corn futures abated to end the week and as Live Cattle pushed higher to close the week, feeder contracts beyond the nearby month did manage to trim the week's losses some. For the week, though, all contracts lost some additional ground. Feeder Cattle futures closing prices on Friday (with change from last Friday's close in parentheses): April \$98.60 (-1.82); May \$101.10 (-1.17); August \$105.57 (-1.10); September \$106.75 (-0.60).

Corn futures jumped still higher this week on acreage projections in Monday's *Prospective Plantings* report. Corn plantings for 2008 are projected to total 86 million acres in 2008. This is almost 1.4 million acres below the average pre-report estimate. In light of current use estimates (about 13 billion bushels), the market does not perceive that 86 million acres will be sufficient. At this point, it may not be possible to pull many more acres into corn production. According to USDA, in 12 of the last 20 years, the final corn acreage figure has been lower than intentions. This largely reflects the impact of planting-time weather rather than market prices. The bottom line is that either final corn acreage will increase or the (insufficient) available supply will be rationed to a greater degree than has happened to this point. Either of these outcomes depends on higher prices, and the market provided that this week. Corn futures traded to new contract highs on Thursday, pulling back only very slightly on Friday. May corn futures closed on Friday at \$5.98, up 37 ½ cents from last Friday's close. All contracts between July 2008 and July 2009 are well over the \$6 mark now.

Wholesale beef prices remain weak. Both Choice and Select prices slipped a little lower this week. The one bright spot is that movement was actually pretty impressive on a couple of days this week. That is an improvement over recent performance. On Friday afternoon, the Choice cutout stood at \$137.09, down \$1.13 from last Friday. This is the lowest daily cutout value since summer 2005. On Friday afternoon, the Select cutout stood at \$136.45, down \$1.43 from last Friday.

Market Summary

Mississippi Auction Summary

Weight	Steers	Heifers	Slaughter Classes	
300-350	\$110-\$120	\$95-\$104	Breakers	not reported
350-400	\$110-\$120	\$95-\$104	Boners	\$44-\$52
400-450	\$100-\$110	\$85-\$95	Lean	\$42-\$50
450-500	\$100-\$110	\$85-\$95	Bulls, YG 1-2, <1,500 lbs	\$55-\$62
500-550	\$90-\$100	\$80-\$90	Bulls, YG 1-2, >1,500 lbs	\$62-\$70
550-600	\$90-\$100	\$80-\$90		
600-650	\$82-\$90	\$77-\$80		
650-700	\$82-\$90	\$77-\$80		
700-750	\$78-\$85	\$73-\$77		
750-800	\$78-\$85	\$73-\$77		

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*		
Apr	\$ 87.90	+0.25	\$ 98.60	-1.82	\$ 58.52	+0.42		
May			\$ 101.10	-1.17	\$ 71.00	+2.43	\$598	37 1/2
Jun	\$ 89.20	+1.33			\$ 72.22	+1.85		
Jul					\$ 74.12	+1.32	\$611 1/4	37 1/2
Aug	\$ 94.77	+2.10	\$ 105.57	-1.10	\$ 75.30	+1.85		
Sep			\$ 106.75	-0.60			\$612	35 3/4
Oct	\$ 100.25	+1.73	\$ 107.17	-0.13	\$ 72.52	+3.80		
Nov			\$ 106.30	-0.10				
Dec	\$ 102.00	+0.80			\$ 74.75	+3.55	\$608 3/4	32
Jan			\$ 106.00	-0.40				
Feb	\$ 103.97	+1.22			\$ 77.90	+3.20		
Mar			\$ 104.40	-1.80			\$615 1/4	30 1/4

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
5-Area Fed Steer Price			
Live	\$ 85.95	\$ 87.97	\$ 99.94
Dressed	\$ 138.08	\$ 141.55	\$ 159.71
OKC Feeder Cattle Prices			
7.5-8 wt M&L #1 steer	\$ 97.91	\$ 99.85	\$ 106.89
5-5.5 wt M&L #1 steer	\$ 120.40	\$ 127.54	\$ 131.31
BBCV (weekly avg.)			
600-900 lb Choice cutout	\$ 138.07	\$ 139.99	\$ 156.20
600-900 lb Select cutout	\$ 136.94	\$ 139.11	\$ 147.46
Other Livestock Prices			
Barrows and Gilts (base price)	\$ 52.67	\$ 51.64	\$ 61.12
Pork Carcass Cutout	\$ 56.90	\$ 56.50	\$ 65.15
Georgia Dock Broilers	\$ 81.06	\$ 80.47	\$ 77.10
Georgia Dock B/S Breasts	\$ 145.50	\$ 146.00	\$ 170.00
Feed Prices (\$/ton)			
Whole Cottonseed	\$ 290.00	\$ 290.00	\$ 157.00
Cottonseed Meal	\$ 230.00	\$ 230.00	\$ 152.00
Corn Gluten Feed	\$ 160.00	\$ 165.00	\$ 105.00
Distillers' Dried Grains	\$ 167.50	\$ 167.50	\$ 117.50
Wheat Midds	\$ 110.00	\$ 120.00	\$ 85.00
Rice Bran	\$ 123.00	\$ 117.50	\$ 100.00
Soybean Hulls	\$ 170.00	\$ 170.00	\$ 123.00
Meat Production (million lbs)			
Beef	482.0	476.4	451.0
Pork	464.9	459.0	415.8
Slaughter (1,000 head)			
Cattle	624	616	601
Hogs	2,286	2,258	2,052
Broilers/Fryers	166,051	165,270	155,076
Avg. Dressed Weight			
Cattle	775	776	753
Hogs	204	203	203

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)