

CATTLE MARKET NOTES

Friday, February 1, 2008

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

Last week, cash business was mostly a late Friday afternoon affair once again. In late trading, cash prices in the South were steady to about 50 cents higher at \$90 to \$91.50 (live). In other regions, dressed prices were \$143 to \$145, which was a dollar or two higher than the prior week for most of those regions. Last week's 5-area price worked out to \$90.29 live (up 20 cents) and \$144.39 dressed (up \$1.47). The tendency of the cash market to remain in a standoff until the 11th hour continues this week. Through mid-afternoon Friday, USDA reported too few sales to establish a trend in any region. Dow-Jones Newswire reported asking prices of no worse than \$93 versus bids of no better than \$88. Cattle slaughter is off sharply this week, with estimated slaughter of just 613,000 head compared to 640,000 a week ago and 642,000 a year ago. The drop this week reflects very slow late-week kills, including just 9,000 projected for Saturday. Hog slaughter continues to move lower as well, with this week's slaughter estimated at 2,276,000 head this week compared to 2,304,000 last week.

Feeder and stocker calf prices pushed higher at most locations around the country this week. At Oklahoma City, feeder steer and heifer prices were \$1 to \$2 higher. Stocker steer and heifer prices were \$2 to \$4 higher. At Lexington, Kentucky, feeder steer prices were steady to \$2 higher, and feeder heifer prices were steady to \$4 higher. Stocker steer prices were \$4 to \$8 higher, and stocker heifer prices were \$2 to \$8 higher. At West Plains, Missouri, prices on heifers were \$1 to \$3 higher. Prices on steers over 600 pounds were \$3 to \$5 higher; prices on lighter weights were \$1 to \$3 higher. At Arkansas auctions, prices on weights over 600 pounds were firm to \$3 higher; prices on lighter weights were \$3 to \$5 higher. At Georgia auctions, feeder steer prices were \$2 to \$3 higher; feeder heifer prices were \$2 to \$4 higher. Stocker steer prices were \$2 to \$6 higher, and stocker heifer prices were \$1 to \$3 higher.

At Mississippi auctions this week steer and heifer prices were \$1 to \$5 higher. Receipts were 5,117 head, down from 5,446 the same week a year ago. Steer prices at Mississippi auctions this week were reported as follows: 250-300 pounds, \$130-\$135; 300-400 pounds, \$120-\$130; 400-500 pounds, \$110-\$120; 500-600 pounds, \$100-\$110; 600-650 pounds, \$90-\$100; 650-700 pounds, \$84-\$90; 700-800 pounds, \$78-\$84. Slaughter cow prices were \$1 to \$4 higher this week. For the week: breakers, \$42-\$45; boners, \$45-\$52; lean (850-1,200 pounds), \$40-\$48.

Live cattle futures were somewhat mixed this week. The nearby contract was lower, largely on cash market uncertainty. Contracts from June forward were higher as the market seems to be anticipating improving fundamentals beyond the first quarter of the year. Closing prices on Friday (with change from last Friday's close in parentheses) were as follows: February \$90.22 (-1.18); April \$94.05 (-0.32); June \$93.95 (+0.95); August \$96.70 (+1.23); October \$101.37 (+1.47).

Feeder cattle futures were steadily higher this week. March and April reached their highest points since the first of the year. More deferred contracts hit six and eight week highs after Friday's trading. Tightening cattle numbers, stronger deferred live cattle futures, and retreating corn futures all provided important fundamental support this week. Feeder Cattle futures closing prices on Friday (with change from last Friday's close in parentheses): March \$105.45 (+3.35); April \$109.37 (+3.32); May \$111.90 (+3.63); August \$112.52 (+2.05).

Corn futures moved sideways in up-and-down trading this week. Old crop contracts were essentially flat for the week. New crop contracts gained some ground on Thursday and Friday as continued intense competition for acreage provides firm underpinning for new crop contracts in all grain crops. March corn futures closed on Friday at \$5.00 ½, up 2 ¼ cents from last Friday's close.

Choice wholesale beef prices were able to ease a little higher this week. Movement was very good on Wednesday and Thursday at slightly higher prices. On Friday afternoon, the Choice cutout stood at \$144.16, up \$1.42 from last Friday. The Select cutout stood at \$138.38, up \$1.91 from last Friday.

USDA released the annual *Cattle* inventory report on Friday. This report provides estimates of January 1 inventory of various classes of cattle. Key numbers are summarized below:

	1,000 head	% of 2007	Pre-report Estimates	
			Average	Range
All cattle and calves	96,669	99.7	99.7	99.5 – 99.8
Beef cows	32,553	99.0	99.4	99.2 – 99.6
Beef replacement heifers	5,670	96.5	96.7	94.6 – 98.7
Steers over 500#	17,305	100.5	100.0	99.1 – 101.0
Calves under 500#	15,378	99.5	99.6	98.3 – 100.9
Calf crop	37,361	99.6	99.4	99.2 – 99.6

Note: Pre-report estimates were provided by Livestock Marketing Information Center.

This report confirms the market's expectation that the nation's cow herd shrank some in 2007. This interruption in herd expansion reflects the acute affects of the past year's drought in the Southeast as well as the very challenging production cost environment created by historically high feed (and fertilizer and fuel) prices.

Market Summary

Mississippi Auction Summary

Weight	Steers	Heifers	Slaughter Classes	
300-350	\$120-\$130	\$110-\$120	Breakers	\$42-\$45
350-400	\$120-\$130	\$110-\$120	Boners	\$45-\$52
400-450	\$110-\$120	\$97-\$110	Lean	\$40-\$48
450-500	\$110-\$120	\$97-\$110	Bulls, YG 1-2, <1,500 lbs	\$54-\$58
500-550	\$100-\$110	\$90-\$100	Bulls, YG 1-2, >1,500 lbs	\$60-\$70
550-600	\$100-\$110	\$90-\$100		
600-650	\$90-\$100	\$83-\$92		
650-700	\$84-\$90	\$83-\$92		
700-750	\$78-\$84	\$80-\$85		
750-800	\$78-\$84	\$80-\$85		

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*		
Feb	\$ 90.22	-1.18			\$ 59.87	+3.67		
Mar			\$ 105.45	+3.35			\$500 1/2	2 1/4
Apr	\$ 94.05	-0.32	\$ 109.37	+3.32	\$ 66.67	+4.72		
May			\$ 111.90	+3.63	\$ 74.95	+3.53	\$513 1/4	2 1/2
Jun	\$ 93.95	+0.95			\$ 79.80	+4.88		
Jul					\$ 79.90	+4.28	\$522 1/4	3 1/4
Aug	\$ 96.70	+1.23	\$ 112.52	+2.05	\$ 79.80	+4.28		
Sep			\$ 112.00	+2.10			\$520	7 1/2
Oct	\$ 101.37	+1.47	\$ 111.50	+1.80	\$ 74.52	+3.42		
Nov			\$ 111.10	+1.50				
Dec	\$ 102.25	+1.15			\$ 77.55	+4.05	\$519	9 1/4
Jan			\$ 110.50	N/A				

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	\$ 89.26	\$ 89.50	\$ 85.91
Dressed	\$ 145.00	\$ 141.35	\$ 137.31
OKC Feeder Cattle Prices			
7.5-8 wt M&L #1 steer	\$ 97.83	\$ 97.50	\$ 94.58
5-5.5 wt M&L #1 steer	\$ 120.44	\$ 119.89	\$ 112.88
BBCV (weekly avg.)			
600-900 lb Choice cutout	\$ 143.44	\$ 144.00	\$ 143.06
600-900 lb Select cutout	\$ 137.40	\$ 137.30	\$ 134.91
Other Livestock Prices			
Barrows and Gilts (base price)	\$ 53.21	\$ 51.07	\$ 63.50
Pork Carcass Cutout	\$ 59.32	\$ 55.80	\$ 64.75
Georgia Dock Broilers	\$ 77.31	\$ 77.22	\$ 70.01
Georgia Dock B/S Breasts	\$ 137.50	\$ 131.50	\$ 148.50
Feed Prices (\$/ton)			
Whole Cottonseed	\$ 272.00	\$ 278.00	\$ 139.00
Cottonseed Meal	\$ 323.00	\$ 290.00	\$ 160.00
Corn Gluten Feed	\$ 165.00	\$ 165.00	\$ 120.00
Distillers' Dried Grains	\$ 176.50	\$ 179.50	\$ 127.50
Wheat Midds	\$ 150.00	\$ 136.00	\$ 105.00
Rice Bran	\$ 107.50	\$ 107.50	\$ 100.00
Soybean Hulls	\$ 145.00	\$ 145.00	
Meat Production (million lbs)			
Beef	472.8	495.9	491.9
Pork	467.2	472.1	414.4
Slaughter (1,000 head)			
Cattle	613	640	642
Hogs	2,276	2,304	2,048
Broilers/Fryers	166,486	160,734	160,374
Avg. Dressed Weight			
Cattle	774	778	769
Hogs	206	205	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)