

CATTLE MARKET NOTES

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Last week, was another slow week for cash trade. Business did not develop until late Friday. Prices last week were steady to \$1.50 lower in most regions, with live prices at \$90 in the South and from \$87 to \$90 in other regions. Last week's 5-Area price worked out to \$89.47 live (down from \$90.29 the prior week) and \$143.34 dressed (down from \$144.39). This week, the market was still in a standoff at mid-afternoon Friday, but conditions seemed to be favoring some improvement in cash bids. Dow-Jones Newswire reported Friday bids at \$90 against asking prices of about \$94. With some improvement in wholesale beef prices and Live Cattle futures this week along with talk of smaller showlists, feeders probably have their best chance for cash market improvement in some while, though just steady is still a real possibility. Cattle slaughter recovered some this week, owing largely to a return to a more normal Saturday kill. Estimated slaughter this week is 620,000 head compared to 613,000 head a week ago and 621,000 a year ago. Hog slaughter continued its steady retreat this week, with this week's slaughter estimated at 2,210,000 head this week compared to 2,270,000 last week.

Feeder and stocker calf prices were higher again this week. At Oklahoma City, stocker steer prices were \$2 to \$4 higher. Prices on other classes were steady to \$3 higher. At Lexington, Kentucky, feeder steer prices were \$1 to \$2 higher, and feeder heifer prices were steady to \$3 higher. Stocker steer and heifer prices were also steady to \$3 higher. At West Plains, Missouri, prices on steers and heifers over 650 pounds were steady to \$2 higher. Prices on lighter weights were \$2 to \$4 higher, with some instances of \$4 to \$8 higher on 5-weight steers and \$4 to \$6 higher on 5-weight heifers. At Arkansas auctions this week, prices on all classes were \$2 to \$5 higher. At Georgia auctions, feeder steer prices were \$3 to \$5 higher; feeder heifer prices were \$1 to \$4 higher. Stocker steer prices were \$3 to \$6 higher, and stocker heifer prices were \$2 to \$4 higher.

At Mississippi auctions this week steer prices were steady, and heifer prices were \$1 to \$2 lower. Receipts were 5,016 head, down from 6,402 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; 600-700 pounds, \$95-\$100; 700-800 pounds, \$88-\$95. Slaughter cow prices were \$1 to \$5 higher this week. For the week: breakers, not reported; boners, \$46-\$53; lean (850-1,200 pounds), \$45-\$50.

Live cattle futures were up this week. Improvement in wholesale beef values helped to support some modest gains in Live Cattle values. Lacking direction from the cash market on Friday, Live Cattle contracts were down on profit taking, but for the week, the two nearby contracts managed decent gains while more deferred contracts at least held steady. Closing prices on Friday (with change from last Friday's close in parentheses) were as follows: February \$92.20 (+1.98); April \$95.10 (+1.05); June \$94.20 (+0.25); August \$96.82 (+0.12); October \$101.55 (+0.18).

Feeder cattle futures were mostly higher this week. A midweek drop in corn futures provided support for feeders to go along with the fundamental support provided by higher Live Cattle futures for much of the week. Higher corn futures and some profit taking on Friday triggered modest losses, but for the week, most contracts were a little better than even with last Friday. Feeder Cattle futures closing prices on Friday (with change from last Friday's close in parentheses): March \$105.02 (-0.43); April \$109.45 (+0.08); May \$112.20 (+0.30); August \$113.20 (+0.68).

Corn futures fell on Wednesday and Thursday as a rumor circulated that the government was planning on backing off of the renewable fuels mandate. As much as livestock producers might wish this were so, it apparently is not, and corn futures posted strong gain on Friday – resuming the routine of tagging along behind wheat. Wheat prices appear to be absolutely unable to check up right now. We are finding out now just how high prices have to be to ration what is a very tight hard wheat supply. Other grain prices won't necessarily keep up at this point, but the high wheat prices do represent important fundamental support in the entire grain complex. This week's activity in the corn market is instructive. Those who might argue that changing ethanol policy at this point would do little to alleviate high feed prices – that the horse is out of the barn, so to speak – must acknowledge the market's very strong and immediate reaction to the mere suggestion of some tinkering with the RFS mandate. March corn futures closed on Friday at \$5.08, up 7 ½ cents from last Friday's close.

Wholesale beef prices enjoyed a nice little run up this week. Movement was not terribly impressive, but after a couple of weeks of declining slaughter and declining cattle weights, packers probably aren't feeling too pressured to push beef out the door right now. On Friday afternoon, the Choice cutout stood at \$150.21, up \$6.05 from last Friday. The Select cutout stood at \$145.81, up \$7.43 from last Friday.

USDA released their monthly *World Agricultural Supply and Demand Estimates (WASDE)* report today. The report included no revisions for US corn and feed grains, with 2007/08 carryover still estimated at 1.438 billion bushels. On the other hand, wheat numbers are downright scary. US wheat carryover, at 272 million bushels, is projected to be the lowest since 1947/48.

Market Summary

Mississippi Auction Summary

Weight	Steers	Heifers	Slaughter Classes	
300-350	\$120-\$130	\$110-\$117	Breakers	not reported
350-400	\$120-\$130	\$110-\$117	Boners	\$46-\$53
400-450	\$110-\$120	\$100-\$110	Lean	\$45-\$50
450-500	\$110-\$120	\$100-\$110	Bulls, YG 1-2, <1,500 lbs	\$52-\$60
500-550	\$100-\$110	\$90-\$100	Bulls, YG 1-2, >1,500 lbs	\$60-\$70
550-600	\$100-\$110	\$90-\$100		
600-650	\$95-\$100	\$85-\$90		
650-700	\$95-\$100	\$85-\$90		
700-750	\$88-\$95	not reported		
750-800	\$88-\$95	not reported		

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	\$ 92.20	+1.98			\$ 58.07	-1.80		
Mar			\$ 105.02	-0.43			\$508	7 1/2
Apr	\$ 95.10	+1.05	\$ 109.45	+0.08	\$ 64.87	-1.80		
May			\$ 112.20	+0.30	\$ 74.20	-0.75	\$521	7 3/4
Jun	\$ 94.20	+0.25			\$ 78.55	-1.25		
Jul					\$ 79.80	-0.10	\$531 1/2	9 1/4
Aug	\$ 96.82	+0.12	\$ 113.20	+0.68	\$ 80.10	+0.30		
Sep			\$ 112.70	+0.70			\$530	10
Oct	\$ 101.55	+0.18	\$ 112.75	+1.25	\$ 73.45	-1.07		
Nov			\$ 112.55	+1.45				
Dec	\$ 102.65	+0.40			\$ 76.22	-1.33	\$530	11
Jan			\$ 111.60	+1.10				

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	\$ 90.47	\$ 89.26	\$ 90.06
Dressed	\$ 147.34	\$ 145.00	\$ 144.50
OKC Feeder Cattle Prices			
7.5-8 wt M&L #1 steer	\$ 100.62	\$ 97.83	\$ 96.42
5-5.5 wt M&L #1 steer	\$ 120.76	\$ 120.44	\$ 120.98
BBCV (weekly avg.)			
600-900 lb Choice cutout	\$ 148.57	\$ 143.44	\$ 143.34
600-900 lb Select cutout	\$ 143.10	\$ 137.40	\$ 136.69
Other Livestock Prices			
Barrows and Gilts (base price)	\$ 56.26	\$ 53.21	\$ 64.64
Pork Carcass Cutout	\$ 60.82	\$ 59.32	\$ 68.37
Georgia Dock Broilers	\$ 77.57	\$ 77.31	\$ 73.63
Georgia Dock B/S Breasts	\$ 144.00	\$ 137.50	\$ 149.00
Feed Prices (\$/ton)			
Whole Cottonseed	\$ 274.00	\$ 272.00	\$ 142.00
Cottonseed Meal	\$ 323.00	\$ 323.00	\$ 162.00
Corn Gluten Feed	\$ 160.00	\$ 165.00	N/A
Distillers' Dried Grains	\$ 168.50	\$ 176.50	\$ 132.50
Wheat Midds	\$ 150.00	\$ 150.00	\$ 85.00
Rice Bran	\$ 107.50	\$ 107.50	\$ 100.00
Soybean Hulls	\$ 145.00	\$ 145.00	\$ 131.00
Meat Production (million lbs)			
Beef	478.2	472.8	475.9
Pork	452.5	466.0	394.4
Slaughter (1,000 head)			
Cattle	620	613	621
Hogs	2,210	2,270	1,958
Broilers/Fryers	166,284	166,019	158,030
Avg. Dressed Weight			
Cattle	774	774	770
Hogs	205	206	202

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)