

CATTLE MARKET NOTES

Friday, February 15, 2008

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After a typically long standoff last week, cattle feeders finally saw some price improvement. Last week, prices came in at mostly \$92 live – up about \$2 from the prior week – and \$146 to \$148 dressed – up \$3 to \$5. Higher prices bought a good volume of cattle, with negotiated cash sales topping 200,000 head last week. This week, a few sales were reported early Friday afternoon in Nebraska at \$145 to \$146 dressed – off \$1 to \$2 from last week for that region. A small volume of live sales were also noted at \$91 live. For the most part, feeders were holding out for steady money (about \$92) against packer bids mostly in the high \$80s. Cattle slaughter moved a little higher this week as recent improvement in wholesale beef prices seemed to get packers interested in speeding up chains at least a little bit. Estimated slaughter this week is 624,000 head compared to 620,000 head a week ago and 620,000 a year ago. Hog slaughter ticked back up a little this week, with this week's slaughter estimated at 2,234,000 head this week compared to 2,210,000 last week.

Feeder and stocker calf prices continued to improve some this week. At Oklahoma City, prices on all classes were \$2 to \$4 higher. At Lexington, Kentucky, feeder steer and heifer prices were steady to \$2 higher. Stocker steer prices were steady to \$4 higher; stocker heifer prices were steady to \$2 higher. At West Plains, Missouri, prices were lightly tested due to winter weather that kept numbers down. Prices appeared to be steady to about \$4 higher on most classes. At Arkansas auctions this week, prices on feeders and stockers over 500 pounds were firm to \$3 higher. Prices on lighter weights were \$3 to \$5 higher. At Georgia auctions, feeder steer prices were \$1 to \$2 higher; feeder heifer prices were \$1 to \$3 higher. Stocker steer and heifer prices were \$1 to \$3 higher.

At Mississippi auctions this week steer prices were \$1 to \$4 higher, and heifer prices were \$1 to \$5 higher. Receipts were 4,408 head, down from 6,826 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, \$114-\$120; 500-600 pounds, \$105-\$114; 600-700 pounds, \$92-\$100; 700-800 pounds, \$88-\$92. Slaughter cow prices were \$1 to \$6 higher this week. For the week: breakers, not reported; boners, \$50-\$56; lean (850-1,200 pounds), \$45-\$54.

Live cattle futures were mostly lower this week. Early optimism following last Friday's higher cash prices began to fade by mid-week as packers stubbornly stood by bids below \$90. On Wednesday, rather steep losses in the Lean Hog pit bled over into the cattle sector, pushing Live Cattle lower. Deferred contracts did manage to post decent gain on Friday, though February and April remained under pressure as traders saw nothing in the cash market to inspire nearby buying. Closing prices on Friday (with change from last Friday's close in parentheses) were as follows: February \$91.40 (-0.80); April \$93.97 (-1.13); June \$93.82 (-0.38); August \$96.62 (-0.20); October \$101.20 (-0.35).

Feeder cattle futures were down this week. The mid-week decline in Live Cattle of course did not help the feeder cattle cause any. For part of the week, lower corn futures were supportive, but the grain complex in general has been a real headache for the feeder cattle market. Corn was down early in the week but roared back on Thursday, pulled higher along with wheat. Feeder Cattle futures closing prices on Friday (with change from last Friday's close in parentheses): March \$104.62 (-0.40); April \$108.05 (-1.40); May \$110.80 (-1.40); August \$112.20 (-1.00).

Corn futures started the week on a down note. Chicago wheat (along with new crop contracts on the MGE) declined significantly to start the week, contributing a weaker tone to the entire grain

complex. By Thursday, wheat looked set to resume its upward march, and corn dutifully followed along, with all contracts posting nice gains on Thursday. The real strength in the grain complex remains centered in old crop hard wheat futures. Old crop contracts on the MGE (hard spring) never eased off this week. On Friday, the daily trading limit was up to \$1.35/bu. The March contract touched the limit in Friday's trading (posting an all-time record high of \$19.88 in the process) but only managed an 82-cent gain for the day, closing at \$19.35. With this going on in wheat, it's hard to see corn backing off too much. March corn futures closed on Friday at \$5.14 3/4, up 6 3/4 cents from last Friday's close.

Choice wholesale beef prices started the week moving a couple of dollars higher but fell back on Thursday and Friday in the face of very light movement. Select prices also moved higher early but managed to remain higher for the week. As of Friday afternoon, the Choice/Select spread had fallen to below \$2. On Friday afternoon, the Choice cutout stood at \$149.39, down \$0.82 from last Friday. The Select cutout stood at \$147.82, up \$2.01 from last Friday.

Market Summary

Mississippi Auction Summary

Weight	Steers	Heifers	Slaughter Classes	
300-350	\$120-\$130	\$110-\$120	Breakers	not reported
350-400	\$120-\$130	\$110-\$120	Boners	\$50-\$56
400-450	\$114-\$120	\$103-\$110	Lean	\$45-\$54
450-500	\$114-\$120	\$103-\$110	Bulls, YG 1-2, <1,500 lbs	\$55-\$67
500-550	\$105-\$114	\$95-\$105	Bulls, YG 1-2, >1,500 lbs	\$60-\$72
550-600	\$105-\$114	\$95-\$105		
600-650	\$92-\$100	\$85-\$95		
650-700	\$92-\$100	\$85-\$95		
700-750	\$88-\$92	\$82-\$90		
750-800	\$88-\$92	\$72-\$82		

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

Source: USDA Agricultural Marketing Service

Futures Prices

Month	Live Cattle	Change*	Feeder Cattle	Change*	Lean Hogs	Change*	Corn	Change*
Feb	\$ 91.40	-0.80						
Mar			\$ 104.62	-0.40			\$514 3/4	6 3/4
Apr	\$ 93.97	-1.13	\$ 108.05	-1.40	\$ 64.20	-0.67		
May			\$ 110.80	-1.40	\$ 73.00	-1.20	\$527	6
Jun	\$ 93.82	-0.38			\$ 78.65	+0.10		
Jul					\$ 79.15	-0.65	\$538 1/4	6 3/4
Aug	\$ 96.62	-0.20	\$ 112.20	-1.00	\$ 78.72	-1.38		
Sep			\$ 112.60	-0.10			\$538	8
Oct	\$ 101.20	-0.35	\$ 112.40	-0.35	\$ 72.00	-1.45		
Nov			\$ 112.00	-0.55				
Dec	\$ 102.42	-0.23			\$ 73.50	-2.72	\$538	8
Jan			\$ 111.15	-0.45				

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	\$ 90.15	\$ 90.47	\$ 91.23
Dressed	\$ 145.81	\$ 147.26	\$ 146.62
OKC Feeder Cattle Prices			
7.5-8 wt M&L #1 steer	\$ 103.56	\$ 100.62	\$ 96.90
5-5.5 wt M&L #1 steer	\$ 126.74	\$ 120.76	\$ 117.72
BBCV (weekly avg.)			
600-900 lb Choice cutout	\$ 151.14	\$ 148.57	\$ 153.29
600-900 lb Select cutout	\$ 147.57	\$ 143.10	\$ 145.48
Other Livestock Prices			
Barrows and Gilts (base price)	\$ 57.66	\$ 56.26	\$ 65.94
Pork Carcass Cutout	\$ 62.92	\$ 60.82	\$ 72.13
Georgia Dock Broilers	\$ 78.31	\$ 77.57	\$ 74.09
Georgia Dock B/S Breasts	\$ 149.50	\$ 144.00	\$ 154.50
Feed Prices (\$/ton)			
Whole Cottonseed	\$ 278.00	\$ 274.00	\$ 140.00
Cottonseed Meal	\$ 285.00	\$ 323.00	\$ 162.00
Corn Gluten Feed	\$ 165.00	\$ 160.00	N/A
Distillers' Dried Grains	\$ 166.00	\$ 168.50	\$ 132.50
Wheat Midds	\$ 150.00	\$ 150.00	\$ 130.00
Rice Bran	\$ 107.50	\$ 107.50	\$ 100.00
Soybean Hulls	\$ 145.00	\$ 145.00	\$ 130.00
Meat Production (million lbs)			
Beef	482.3	478.2	474.1
Pork	455.3	452.5	404.7
Slaughter (1,000 head)			
Cattle	624	620	620
Hogs	2,234	2,210	2,007
Broilers/Fryers	168,971	166,284	159,796
Avg. Dressed Weight			
Cattle	776	774	767
Hogs	204	205	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)