

In The Cattle Markets

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More Records Set in Cattle Market

Fed cattle prices surged to new record highs last week as tight supplies of cattle continue to support the market. USDA-Agricultural Marketing Service (AMS) reported the average 5-area weekly weighted average direct fed steer price at \$169.90 which was up \$1.11 from previous record of \$168.79 for the week ending October 24. By the end of the week live cattle futures also reached life of contract and all-time record highs. On Friday the December live cattle contract settled at \$170.20.

Calf prices are record high for this week of the year, but in some cases may be off a few dollars from a month ago before the large fall runs hit. There are individual lots selling for record high prices. Since USDA-AMS does not report an average calf price, determining a record high is more difficult and depends on individual markets.

There is also a wide range in prices for the same weight and grade of calves at the same market. In the USDA-AMS North Dakota weekly auction summary for last week, the reported range in 550-600 pound, medium and large #1 steer calves was \$261-\$294. That wide range results from the many factors that affect the value of calves. 550-600 pound heifers were quoted from \$237-\$294. Notice that top heifer calves in North Dakota sold for the same price as top steers due to the demand for replacement heifers.

Feeder cattle futures increased last week and by Friday were just slightly lower than the previous life of contract and record highs that occurred on October 8. For example, the January contract settled at \$236.12 on Friday compared to \$236.32 on October 8.

The CME Feeder Cattle Index (Index) is often used as a barometer for feeder steer prices in the U.S. Since CME Group feeder cattle futures are cash settled rather than requiring actual delivery of cattle, all open contracts after termination of trading on the last Thursday of the contract month are settled with the Index price.

The Index is based on a sample of USDA-AMS reported transactions for 650-849 pound, Medium and Large #1 and the combined #1 and #2 market classes of feeder steers. The sample consists of all feeder cattle auction, direct trade, video sale, and internet sale transactions within the 12-state region of Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas and Wyoming for which the number of head, weighted average price and weighted average weight are reported by AMS.

The actual Index is a 7-day weighted average price which is computed and released every weekday on the CME Group website: www.cmegroup.com. The Index is a good proxy for the

current U.S. feeder cattle cash market, while feeder cattle futures prices are what traders are willing to buy and sell at for future contract months.

Although feeder cattle futures prices almost reached record highs last week the Index did not. The record high Index price occurred on October 14 at \$244.04. The latest recorded Index for November 14 was \$239.19.

During the life of a feeder cattle futures contract, prices may be above or below the current Index depending on trader's expectations for the future. But, the Index and the expiring futures contract price are always very close at maturity. For example, the last day of trading for the October 2014 feeder cattle contract was Thursday, October 30. The futures contract settlement price that day was \$239.75 compared to the Index price of \$239.95.

The November feeder cattle futures contract matures on November 20. Both the futures price and Index price are close to \$240 as expected. Since the Index is an average, some geographic areas will have higher cash prices with others experiencing lower prices. Producers should be aware of their basis, which is the difference between the local cash price and the Index or futures price.

The Markets

Fed cattle prices increased to record high levels last week. Across the 5-area market, liveweight steer prices averaged \$169.90 per hundredweight up \$3.29 for the week. Dressed weight prices increased \$2.94 to average \$264.80 for the week. The boxed beef market also strengthened with choice at \$250.81, up 46 cents for the week. Calf and feeder cattle markets were mixed with many recording higher prices, especially late in the week. Large fall runs of calves were reported in the Plains with a few Northern markets experiencing inclement early winter weather. Corn prices in Omaha on Thursday increased 21 cents per bushel at \$3.55.

<i>Data Source: USDA-AMS Market News</i>		Week of 11/14/14	Week of 11/7/14	Week of 11/15/13
5-Area Fed Steer Price	all grades, live weight, \$/cwt	\$169.90	\$166.61	\$131.59
	all grades, dressed weight, \$/cwt	\$264.80	\$261.86	\$208.00
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$250.81	\$250.35	\$202.25
	Choice-Select Spread, \$/cwt	\$12.10	\$12.08	\$13.75
700-800 lb. Feeder Steer	Nebraska 7-market average, \$/cwt	\$242.12	\$244.18	\$173.61
	Oklahoma 8-market average, \$/cwt	\$239.88	\$238.12	\$166.45
500-600 lb. Feeder Steer	Nebraska 7-market average, \$/cwt	\$299.89	\$293.77	\$193.43
	Oklahoma 8-market average, \$/cwt	\$289.82	\$286.56	\$185.66
Feed Grains	Corn, Omaha, NE, \$/bu. (Thursday)	\$3.55	\$3.34	\$4.14
	DDGS Price, Nebraska, \$/ton	\$114.63	\$113.30	\$209.00